

Habaraduwa Pradeshiya Sabha
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2018 had been presented to audit on 29 March 2019, the summary report of the Auditor General relating to those financial statements on 30 May 2019 and detailed management report on 13 June 2019 were sent to the Chairman of the Sabha.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the part, basis for qualified opinion in my report, the financial statements give a true and fair view of the financial position of the Habaraduwa Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the qualified opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(i) Balance of the Land and Buildings Account had been overstated in a sum of Rs.1,661,158 as at the end of the year under review.	Should be correctly accounted.	Action will be taken to correct when preparing accounts for the year 2019.
(ii) Employees Security Deposits and Employees Security Deposits Investments amounting to Rs. 142,335 as at the date 31 December 2018 had not been accounted.	Should be correctly accounted.	Action will be taken to correct when preparing accounts for the year 2019. Action will be taken when preparing accounts for the year 2019.

(iii) Rent Income in arrears amounting to Rs. 179,400 as at the date 31 December 2018 had been understated.	Should be correctly accounted.	Action will be taken to correct when preparing accounts for the year 2019.
(iv) Creditor's provision had not been made for the sum of Rs. 5,471,848 payable to the Local Government Pension Fund as at the date 31 December of the year under review.	Should be correctly accounted.	Action will be taken to correct when preparing accounts for the year 2019.

(b) Non-reconciled Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
There was a difference of Rs.10,594,070 between the balances relevant to 09 items of accounts shown in the financial statements as at 31 December of the year under review and the balances in the schedules relevant to those.	Action should be taken to reconcile differences in relevant balances and to correct the accounts.	Action will be taken to correct existing disparities in due course.

(c) Suspense Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Action had not been taken during the year under review as well to identify and settle the debit balance of Rs. 601,430 which is being brought forward since the year 2008.	Reasons for the Suspense Account should be identified and action should be taken to settle it.	Action will be taken to correct during the ensuing year.

(d) Accounts Receivable and Accounts Payable.

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Accounts Receivable Action had not been taken during the year under review as well to recover 05 Accounts Receivable balances totaling Rs. 1,773,820 being brought forward unchanged in the financial statements since a period from year 2000 to 2011.	Action should be taken to recover Accounts Receivable.	Will be recovered in due course.
(ii) Accounts Payable. Action had not been taken during the year under review as well to settle 03 Accounts Payable balances totaling Rs. 8,823,727 being brought forward unchanged in the financial statements since the year 2011.	Action should be taken to settle Accounts Payable.	Will be corrected in the ensuing year.

(e) Lack of Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Fourteen items of accounts totaling Rs. 122,982,754 could not be satisfactorily examined due to non-remission of required information.	Evidence to confirm account balances shown in the financial statements should be submitted.	Corrective action will be taken in due course.

1.4 Non-compliance

Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance	Recommendation	Comments of the Accounting Officer
	Rs.			
(a) Pradeshiya Sabha (Financial and Administrative) Rules 1988. Rule 217.		A Register containing particulars of all lands and buildings belong to the Sabha had not been maintained in Form P.S. 46.	Rules should be complied with.	Action will be taken as per rules in due course.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.				
(i) Financial Regulation 261 (3)	304,550	A bank overdraft had occurred according to the cash book as at 01 December 2018.	Financial Regulations should be complied with.	Action will be taken as per financial regulations in due course.
(ii) Financial Regulation 396 (D)	29,424	Action had not been taken with regard to 14 cheques issued from General Account, but not presented for payment of which period of validity had elapsed.	Financial Regulations should be complied with.	Action will be taken as per financial regulations in due course.

(iii)	Financial Regulation 571 (1) (2)	106,536,62 2	Action had not been taken with regard 72 Deposit Balances which had exceeded 02 years.	Financial Regulations should be complied with.	Action will be taken as per financial regulations in due course.
(c)	Circular No.2/2015 dated 10 July 2015 of the Secretary to the Treasury and Secretary to the Ministry of Finance	Action had not been taken for disposal of 07 condemned vehicles belong to the Sabha.	Circular requirements should be complied with.	Action will be taken as per circular instructions in due course.	

2. Financial Review

2.1 Financial Results

According to the financial statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs. 15,038060 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 223,262.

2.2 Financial Control

Works Account

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to recover cash relevant a cheque amounting to Rs. 96,265 deposited on 18 July 2017, but not realized	Action should be taken to recover.	Will be corrected in due course.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Billed Revenue, Revenue Collected and Arrears of Revenue

Estimated Revenue, Billed Revenue, Revenue Collected and Arrears of Revenue at 31 December for the year under review and the preceding year as furnished are shown below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	4,071,700	3,755,197	3,097,984	7,977,027	3,814,100	3,673,913	3,271,780	7,319,814
Rent	26,840,000	20,886,239	7,935,649	24,204,627	2,973,677	1,243,410	1,285,000	11,254,027
License Fees	7,824,850	432,850	431,650	52,200	5,073,250	382,500	363,100	51,000
Other Revenue	154,325,450	110,718,990	18,217,230	121,026,958	97,411,950	19,476,941	14,200,000	28,525,198
	193,062,000	135,793,276	29,682,503	153,260,812	109,272,977	24,776,764	19,119,880	47,150,039

2.3.2 Performance in Revenue Collection

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
Although the total revenue recoverable during the year under review amounts to Rs. 182,943,315, revenue collected had been Rs. 29,682,503. Accordingly, revenue collection percentage had been 16 percent.	Arrears of revenue should be recovered soon.	Action will be taken to recover arrears of revenue soon in due course.

2.3.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
Although the rates and taxes revenue to be recovered during the year under review was Rs. 11,075,011, revenue collected had been Rs. 3,097,984. Percentage of progress in recovery of rates and taxes revenue was at a low level such as 28 percent.	Arrears of revenue should be recovered soon.	Action will be taken to recover arrears of revenue soon in due course.

2.3.4 Lease Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
While revenue to be recovered during the year under review was Rs. 32,140,266, revenue collected had been Rs. 7,935,640. Tax. Percentage in recovery of revenue was at a low level such as 25 percent.	Arrears of revenue should be recovered soon.	Action will be taken to get settled the balances in arrears through a survey in due course.

2.3.5 Other Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
Out of total revenue to be recovered amounting to Rs. 139,244,188 during the year under review, recoveries during the year had been Rs. 18,217,229 or 13 percent.	Arrears of revenue should be recovered soon.	Arrears of revenue will be recovered.

2.3.6 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
Court Fines amounting to Rs.1,262,000 and Stamp Fees amounting to Rs.109,456,990 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2018.	Arrears of revenue should be recovered soon.	Letters were sent to the Chief Secretary to get the amounts in arrears.

3. Operating Review

3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

(a) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
An Action Plan had not been prepared in respect of activities to be performed by the Sabha during the year under review.	Action Plan should be prepared.	Action will be taken to prepare in due course.

(b) Solid Wastes Management

Audit Observation	Recommendation	Comments of the Accounting Officer
While action had not been taken to earn income by making carbonic fertilizer and recycling the garbage collected in the area of authority of the Sabha, a sum of Rs. 1,181,780 had been paid out of Sabha Fund up to October 2018 for covering the garbage with soil, dumped into a land. The environmental permit for disposal of garbage too, had not been obtained by the Sabha.	A proper and long term scheme should be prepared for disposal of garbage. s	While action is being taken to obtain a government land, a long term scheme will be prepared.

(c) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
Long term plans for uplifting living condition and health of the people in the area of authority through global indexes for sustainable development objectives and goals in the Agenda for Sustainable Development 2030 had not been prepared by the Sabha.	Long term plans should be prepared and peoples' living standard should be up lifted.	A plan will be prepared in due course to uplift the living condition of the people in the area of authority.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
Non-recovery of Income		
While 78 stalls in Ahangama Public Market Complex belongs to the Sabha had been leased out, lump sum amount of Rs. 22,914,800 to be recovered from those lessees had not been recovered even as at 31 December 2018.	Action should be taken to recover the amounts in arrears.	Action will be taken to recover the amounts in arrears after obtaining proper approval from the Minister in charge of the subject.

3.3 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Vacancies existed in 22 posts of the approved cadre, had not filled.	Action should be taken to fill the vacancies.	Applications have been called for already to make the recruitments.
(b) A sum of Rs.2,963,118 had been spent during the year 2018 for payment of salaries and allowances to 09 substitute employees recruited contrary to the Public Administration Circular No. 25/2014.	Circular should be complied with.	Action will be taken in due course to regularize under F.R. 71.
(c) Ten laborers and office peons had been engaged in the duties of management service which do not come under their substantive duties.	Substantive duties. should be assigned	Engaged as a temporary measure to facilitate administration due to shortage of staff. Will be rectified in due course.

3.4 Staff Loans

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to recover staff loans amounting to Rs. 1,286,082, outstanding since the year 2009, from 19 employees who had gone on transfers, retired and vacated service having served in the Sabha.	Action should be taken to recover the amounts in arrears.	Action is being taken to recover by now..

3.5 Operating Inefficiencies

3.5.1 Idle and Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
Ten vehicles belong to the Sabha had been parked at various places since the year 2004, without action being taken for disposal or to repair in terms of Treasury Circular No. 02/22105 dated 10 July 2015.	Action should be taken as per circular.	Action will be taken to rectify, after obtaining valuation reports from the Local Government Department.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) While there were savings totaling Rs.76,259,251 of 06 items of expenditure those were in range from 32 percent to 94 percent.	Realistic estimates should be prepared.	Action will be taken to reach expenditure targets in this regard in the ensuing year.

(b) Adverse variance of an item of expenditure was Rs. 7,923,012 or 114 percent.

Realistic estimates should be prepared.

Action will be taken to reach expenditure targets in this regard in the ensuing year.

4.2 Audit and Management Committees

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken in terms of provisions in Management Audit Circular No. DMA/2009(i) dated 09 June 2009, to establish Audit and Management Committees even as at the end of the year under review.	Should act according to the circular.	Action will be taken to conduct committees as specified in due course.