

Tawalama 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 14 March 2019, the summary report of the Auditor General relating to those financial statements on 31 May 2019 and detailed management report on 14 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 Tawalama 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) Computer and Photo Copying Machine received from the Local Government Department and office of the Assistant Commissioner of Local Government valued at Rs. 484,580 had not been accounted.	Should be correctly accounted.	Action will be taken to correct when preparing accounts for the year 2019.
(ii) Value of Library Books amounting to Rs. 247,230 purchased during the year under review had not been accounted.	Correct value should be accounted.	Action will be taken to correct when preparing accounts for the year 2019.
(iii) Cupboards purchased for the public library totaling Rs.		

Rs.90,000 had not been capitalized.

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| (iv) Creditors provision had not been made for the Audit Fees payable for the preceding year and the year under review. | Assets should be capitalized. | Action will be taken to correct when preparing accounts for the year 2019. |
| (v) Retention Deposits in Hand amounting to Rs. 278,389 for the year under review had not been accounted. | Should be correctly accounted. | Action will be taken to correct when preparing accounts for the year 2019. |
| (vi) There was a difference of Rs. 804,345 between the balance of Fixed Assets as at 31Decmber of the year under review and the balance of the Contribution from Revenue to Capital Outlay Account. | Accounts should be corrected. | Action will be taken to correct when preparing accounts for the year 2019. |
| (vii) Security Deposits of Rs. 518,000 obtained in leasing out market complexes had been shown Current Assets instead of showing as Current Liabilities. | 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. 1,361,903 between the balances relevant to 02 items of accounts shown in the financial statements as at 31 December of the under review and the balances in the schedules relevant to those.	Differences in the relevant accounts should be reconciled and action should be taken to correct the accounts	It is a discrepancy existing over a long period and therefore action will be taken to correct in due course.

(c) Un-authorized Transactions

Audit Observation	Recommendation	Comments of the Accounting Officer
A sum of Rs. 84,840 had been paid for An excavator machine for development of Weerapana Meda Ovita playground and Batahena weekly fair without preparing estimates.	Payments should be made after obtaining approval for estimates.	Approval of the Finance Committee was obtained.

(d) 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. 16,477 which is being brought forward since the year 2013.	Errors should be identified and accounts should be corrected accordingly.	Action will be taken to correct in due course.

(e) Concept of Going Concern

Audit Observation	Recommendation	Comments of the Accounting Officer
According to financial statements, a deficit is being reported continuously in the operating results since the year 2015 and therefore it is observed that it would result in the going concern concept of the Sabha.	Operating results should be favorable.	Action will be taken to improve income in due course.

(f) Accounts Receivable and Accounts Payable.

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Accounts Receivable Eight account balances totaling Rs. 3,276,636 that had exceeded a time range from 03 to 15 years were	Action should be taken to recover Debtors balances.	Action will be taken to recover in due course.

included in the Debtors balance of Rs. 11,831,131 as at 31 December of the year under review.

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| (ii) Five account balances totaling Rs. 2,652,557 that had exceeded a time range from 02 to 03 years were included in the Creditors balance of Rs. 2,652,557 as at 31 December of the year under review. | Accounts Payable should be settled. | Action will be taken to settle in due course. |
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(g) Lack of Evidence for Audit

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Nine items of accounts totaling Rs. 29,564,762 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 -----	Non-compliance -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Pradeshiya Sabha Act No. 15 of 1987. Section 134	The Sabha had not paid attention to identify developed areas in its area of authority for recovering rates.	Action should be taken in terms of the Act..	Wish to inform that the area is not up to suitable developed level for recovering rates.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 570 and 571(1)(2)	Action had not been taken with regard to 16 Deposit Balances totaling Rs. 1,126,000 which had exceeded 02 years.	Financial Regulations should be complied with.	Action will be taken to rectify 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.1,287,871 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 529,386.

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	415,856	587,746	582,276	551,979	393,236	447,807	320,294	600,654
Rent	4,977,000	1762,890	1,725,675	133,300	5,054,500	1,984,870	1,945,520	109,425
License Fees	536,425	537,679	537,679	8,800	637,625	585,225	585,225	8,800
Other Revenue	3,519,300	3,197,523	1,961,521	5,383,840	3,303,300	3,314,822	1,870,036	3,626,478
	9,448,581	6,085,838	4,807,151	6,077,919	9,388,661	6,332,724	4,721,075	4,345,357

2.2.2 Performance in Revenue Collection

Audit Observation

While the total revenue to be recovered during the year amounted to Rs. 10,431,195, recoveries had been Rs.4,807,151 and therefore percentage of revenue collection had been 46 percent.

Recommendation

Arrears of Revenue should be recovered soon.

Comments of the Accounting Officer

Action will be taken to expedite revenue recovery as per budget in due course.

2.2.3 Rates and Taxes

(a) Acreage Tax

Audit Observation

While the total revenue to be recovered during the year amounted to Rs.66,239, recoveries had been Rs.3,046 and percentage of revenue collection had been 4.5 percent. Therefore recovery of Acreage Tax had been weak.

Recommendation

Action should be taken to expedite recovery of revenue in arrears.

Comments of the Accounting Officer

Action will be taken to recover in due course.

(b) Leasing

Audit Observation

The total Lease Revenue relevant to the year under review was Rs.6,334,160. Revenue collected during the year had been Rs. 635,975. Thus, revenue recoveries of the year under review had been 10 percent of the total revenue. Accordingly, revenue recovery was in a weak position, and action had not been taken in terms of Section 158(1)(b) of the Pradeshiya Sabha Act No. 15 of 1987.to recover arrears of tax.

Recommendation

Action should be taken to expedite recovery of revenue in arrears.

Comments of the Accounting Officer

Action will be taken to recover in due course.

2.2.4 Stalls Rent

Audit Observation

While the total Stalls Rent Revenue relevant to the year under review was Rs. 147,590. collections during the year had been Rs. 58,375, and therefore revenue collection percentage was 40 percent.

Recommendation

Action should be taken to expedite recovery of revenue in arrears.

Comments of the Accounting Officer

Action will be taken to recover in due course.

2.2.5 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
Court Fines amounting to Rs.1,405,707 and Stamp Fees amounting to Rs.3,978,133 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December of the year under review.	Arrears of revenue should be recovered soon.	Chief Secretary was infomed in writing.

3. Operating Review

31. 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) Abandoned Projects

Audit Observation	Recommendation	Comments of the Accounting Officer
Although a sum of Rs. 1,500,000 had been approved for 02 projects under Southern Province Development Plan 2018, those projects had not been performed during the year under review.	Works planned during the year under review should be performed.	Action will be taken to implement in due course.

(b) Solid Wastes Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The Sabha had constructed buildings having spent Rs. 1,683,125 for solid wastes management, in a land without	A formal scheme should be implemented for	A long term plan will be implemented for solid wastes

clear title. However, that project had been abandoned as these constructions were completely destroyed by floods transpired during the year 2017.

solid wastes management.

management in due course.

- (ii) While removal, collection, and transportation of garbage had been declared as an essential service vide gazette notification No. 2015/53 dated 20 April 2017, it had pointed out that a separate unit should be established for that and a long term plan should be prepared. However, Sabha had not entered into such a scheme.

A formal scheme should be implemented for solid wastes management.

A long term plan will be implemented for solid wastes management in due course.

(c) Sustainable Development Goals

Audit Observation

Recommendation

Comments of the Accounting Officer

Plans for uplifting living standard 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 for sustainable development should be prepared and living condition of the people should be up lifted.

A plan will be prepared to uplift the living condition of the people in the area of authority in due course.

3.2 Management Inefficiencies

Audit Observation

Recommendation

Comments of the Accounting Officer

The ownership of lands where Head Office Building and Weekly Fair Buildings were constructed having spent a sum of Rs. 58,069,162 under Pura Neguma Project had not been settled.

Action should be taken to get settled the ownership of lands.

Action will be taken to get settled the ownership in due course.

3.3 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Action had not been taken to fill 12 vacancies in the approved cadre and to regularize the excess cadre of 04 employees even up to the end of the year under review.	Action should be taken to make proper recruitment for vacancies and to regularize the excess posts. The post recruited on contract basis should be regularized.	Written requests have been made to Commissioner of Local Government for approval to make recruitments for vacancies. Action will be taken to recover loan balance in arrears in due course.
(b) A total of loan balances in arrears amounting to Rs. 120,988 due from 16 employees who had deceased, retired, left on transfer to another establishment and vacated service after serving the Sabha and a loan balance of Rs. 150,670 due from an employee whose service suspended in March 2018 had not been recovered even up to 01 April 2019.	Loan balances in arrears should be recovered.	Action will be taken to recover in due course.

3.4 Assets Management

3.4.1 Non- documentation of Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
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Although 02 computers and components valued at Rs. 102,290 had been provided to the Sabha on 30 July of the year under review from the Local Government Department, only one computer and	Inventory goods received to the Sabha should be documented.	Duties are performed from the coordinating secretary's house on behalf of the Chairman.

component had been entered in the inventory having issued Receipt Orders.

3.4.2 Non-assurance of Safety of Assets.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Electric Generator purchased for a sum of Rs. 999,990 during the year 2014 had become defunct due to floods occurred in May 2017. It had been referred to private body on 30 August 2018 deviating from tender procedure.	Should be referred for repairs by following tender procedure.	While it was taken to this body and handed over to repair for a lesser amount without furnishing documents in writing, action will be taken to repair and get back soon.

3.4.3 Non-performance of Maintenance and Repairs

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
A cab vehicle withdrawn from running on 07 May 2016 and a tractor vehicle withdrawn from 12 May 2017 had been parked in the Sabha ground.	Repair works should be carried out soon.	Repairs could not be carried out due to lack of funds of the Sabha.

3.4.4 Assets not vested

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Action had not been taken to vest 07 vehicles valued at Rs. 45,577,614 provided to the Sabha during the years 2014 and 2014.	Action should be taken to vest vehicles provided to the Sabha.	No provisions available in the Sabha Fund to meet expenditure to be incurred in vesting.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) While there were savings amounting to Rs. 7,999,544 in 06 items of expenditure those values were in range from 21 percent to 89 percent.	Realistic estimates should be prepared.	Attention will be made in this connection in the ensuing year.
(b) The adverse variance in an item of expenditure was Rs. 2,090,959 or 85, percent.	Realistic estimates should be prepared.	Attention will be made in this connection in the ensuing year.
(c) While the total of adverse variances of 04 items of revenue amounted to Rs. 19, 618,027, those values were in range from 23 percent to 80 percent.	Realistic estimates should be prepared.	Attention will be made in this connection in the ensuing year.

4.2 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Although an internal audit officer had been appointed in terms of provisions in Financial Regulations 133 and 134 of the Republic of Sri Lanka and Circular No. SLG/G/01 dated 14 February 2014 of the Commissioner of Local Government (Southern Province), an adequate internal audit had not been carried out.	Should act according to financial regulations and circulars.	Action will be taken in due course to carry out an internal audit and to send reports.
(b) While Auditor General had not been consulted in preparing the internal audit program in terms of financial regulation 134, copies of internal audit reports had not been furnished to audit.	Should act according to financial regulations and circulars.	Action will be taken in due course to carry out an internal audit and to send reports.

4.3 Audit and Management Committees

Audit Observation

In terms of provisions in Management Audit Circular No. DMA/2009(i) dated 09 June 2009, it is required to conduct 04 meetings of Audit and Management Committee per annum.

Recommendation

Audit and Management Committee meetings should be conducted.

Comments of the Accounting Officer

Committee had only one meeting for the year. Action will be taken to conduct committees as specified in due course.