

**Tangalle Urban Council**

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**Hambantota District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2018 had been presented to audit on 27 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 31 May 2019 and 11 June 2019 respectively.

**1.1 Qualified Opinion**

In my opinion, except for the effect of the matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Tangalle Urban Council 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 Qualified Opinion**

**(a) Accounting Deficiencies**

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The entertainment cost of Rs.135,200 recovered during the year under review and the previous year had not been credited to the Revenue Account. Instead, it had been accounted as deposits.	Should be correctly brought to account.	Action will be taken to transfer the revenue due to the Sabha from the entertainment tax deposited and to pay back the balance.
(ii) The revenue from tenders receivable by initiating legal action during the year under review had been understated in the accounts by Rs.50,655.	Revenue should be correctly brought to account.	Action will be taken to rectify in future.

**(b) Lack of Necessary Documentary Evidence for Audit**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Two items of accounts aggregating Rs.60,205 could not be satisfactorily vouched in audit due to non-remittance of necessary information.	Evidence to confirm balances of accounts in the financial statements should be furnished.	Action will be taken to rectify in future. Those information will be furnished to audit.

**1.4 Non-compliance**

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

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Financial Regulation 702(3) of the Democratic Socialist Republic of Sri Lanka.	Signed agreements of contracts had not been furnished to the Auditor General.	Should act in accordance with the Financial Regulation	Action will be taken in terms of Financial Regulation 702(3) regarding contracts and copies of agreements will be referred to the Auditor General.
(b) Gazette Notification No.1534/18 of 01 February 2008 in terms of the National Environmental Act No.47 of 1980.	Action had not been taken to review 04 expired environmental protection licences by recovering fees.	Should act according to the Gazette Notification.	Three industries had already obtained environmental licences. Informed in writing to other to obtain licences.

**2. Financial Review**

**2.1 Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs.15,522,614 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.5,988,438.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear 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	6,200,000	6,968,445	6,817,032	1,355,210	3,100,000	3,075,996	3,426,540	394,406
Lease Rent	11,709,700	10,640,705	10,503,241	82,459	11,777,100	10,292,685	5,249,302	321,606
Licence Fees	1,153,000	891,252	891,252	-	1,249,000	816,672	815,642	-
Other Revenue	21,799,500	15,244,506	14,904,465	14,875,983	19,311,500	15,342,565	11,138,603	14,457,168
<b>Total</b>	<b>40,862,200</b>	<b>33,744,908</b>	<b>33,115,990</b>	<b>16,313,652</b>	<b>35,437,600</b>	<b>29,527,918</b>	<b>20,630,087</b>	<b>15,173,180</b>

### 2.2.2 Performance in Collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
The arrears of revenue as at 01 January of the year under review amounted to Rs.15,173,180 and the billing of the year amounted to Rs.33,744,908. Accordingly, the overall rates and taxes to be recovered during the year amounted to Rs.48,918,088 whereas Rs.33,115,990 had been collected showing a progress of 68 per cent in recovery of rates and taxes.	Arrears of revenue should be recovered.	A sum of Rs.1,382,045 had already been recovered from the arrears of rates and taxes, other revenue and rent due as at end of the year. Action will be taken to recover the balance.

### 2.2.3 Rates and Taxes

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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) The arrears of rates and taxes as at 01 January of the year under review amounted to Rs.394,406 and the billing of the year amounted to Rs.6,968,445. Accordingly, the overall rates and taxes to be recovered during the year amounted to Rs.7,362,851 whereas Rs.6,817,032 had been collected showing a progress of 93 per cent in recovery of rates and taxes.	The progress in recovery of rates should be enhanced.	Out of the arrears as at end of the year, Rs.301,169 had been recovered by 30 April 2019. Action will be taken to recover the balance.
(b) Action had not been taken in terms of Section 170(a) of the Urban Councils Act to recover the rates and taxes of Rs.1,355,210 receivable as at 31 December of the year under review.	Arrears of revenue should be recovered.	Out of the arrears, Rs.263,329 had been recovered by 30 April 2019. Final notices had been issued to those whose arrears of rates and taxes were over Rs.1,000.

### 2.2.4 Rent

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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) The estimated rent and the revenue billed during the year under review amounted to Rs.11,709,700 and Rs.10,640,705 respectively. As the revenue collected during the year amounted to Rs.10,503,241, the revenue collected was less than the revenue billed by Rs.137,464.	Correct estimates should be prepared.	The year's estimate had been prepared with the idea of implementing new assessments for stalls. But, due to non-implementation, these variances had occurred.
(b) Rent amounting to Rs.82,459, made up of Rs.73,359 and Rs.9,100 respectively were due from 10 stalls and fishery rest houses as at 31 December of the year under review.	Arrears of rent should be recovered.	Out of the arrears as at end of the year, a sum of Rs.11,320 had already been recovered. Action will be taken to acquire 03 stalls which had not made payments.

## 2.2.5 Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
Stamp fees due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2018 amounted to Rs.14,731,227. Of these, Rs.7,731,227 referred to balances of 02 to 05 years.	Stamp fees should be recovered.	Out of the arrears, Rs.1,000,000 had already been received. Letters had been sent to obtain the balance.

## 3. Operating Review

### 3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Council in terms of Section 4 of the Urban Councils Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

#### (a) By-laws

Audit Observation	Recommendation	Comments of the Accounting Officer
By-laws were needed to be enacted for 25 main functions in terms of Section 157 of the Urban Councils Act. But, only 01 by-law had been enacted by 31 December 2018.	Action should be taken to enact by-laws.	The Sabha had accepted and implemented the by-laws adopted by the Urban Council of the Southern Province which had been prepared by the minister in charge of the subject Local Government of the Southern Province and confirmed by the Provincial Council.

#### (b) Delay in Execution of Tasks

Audit Observation	Recommendation	Comments of the Accounting Officer
Ten development proposals valued at Rs.7,300,000 included in the budget for 2018 had not been implemented during the year under review.	Attention should be drawn to fulfil development proposals included in the budget.	The Council had not given priority to fulfil the tasks included in the capital plan. Other tasks

proposed and approved by the Sabha had been executed.

**(c) Solid Waste Material Management**

	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(i)	Environmental Protection Licence had not been obtained for the Solid Waste Material Management Programme of the Sabha even by 31 December of the year under review.	Environmental Protection Licence should be obtained.	Action is being taken to obtain environmental protection licence.
(ii)	Reusable polythene, plastic, papers, tyres, glasses etc., which are brought to the premises of the project had been separated and kept in the open space exposed to elements.	Action should be taken to rectify.	Activities relating to segregation of non-degradable materials are being done indoors at present. Stacking in the open space has been discontinued now.
(iii)	Extensive quantity of garbage which cannot be used for compost production had been kept in an open space.	Proper action should be taken.	Action will be taken to properly cover the portion that cannot be used.

**(d) Sustainable Development Target**

	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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	The Council had not prepared a long term plan to uplift the living standards and health of the public of the authoritative area of the Council by the global indicators referred to in the 2030 Agenda of the Sustainable Development relating to Sustainable Development objectives and targets.	Indicators to measure sustainable development objectives and targets should be identified and the progress achieved should be measured accordingly.	Priority will be given for this during the preparation of 4 year plan 2020-2023.

**3.2 Human Resources Management**

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken even by end of the year under review to fill 34 vacancies in the cadre and to regularize 09 excesses	Action should be taken to fill vacancies in the cadre and to regularize excesses.	Action will be taken to fill vacancies and regularize excesses.
(b) Nineteen employees of the Urban Council had been assigned with duties other than their approved duties.	Officers should be assigned with approved duties.	Officers had been assigned with duties of preparatory schools to uplift the welfare services of the Urban Council. Adequate watchers were not available for protection of properties and resources of the Council and as such junior officers had been assigned for this work.
(c) Action had not been taken to recover the festival advances and distress loans of Rs.51,135 from 2 officers who had vacated service during the past years.	Employees' loan should be recovered.	The application to write off this irrecoverable amount had been forwarded to the minister in charge of the subject by the Assistant Commissioner of Labour.

**3.3 Assets Management**

**3.3.1 Assets not acquired**

Audit Observation	Recommendation	Comments of the Accounting Officer
The ownership of 14 land and buildings benefitted by the sabha had not been acquired even by 31 December of the year under review.	Ownership of assets should be acquired.	Relevant action is being taken to legally acquire the properties of the Sabha through the Divisional Secretary, Tangalle.

### 3.3.2 Annual Board of Survey

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Recommendations relating to 08 items of goods valued at Rs.1,472,600 detected as shortages over a number of years had not been implemented even by 11 March 2019.	Recommendations of the board of survey should be implemented.	Necessary legal action had already been initiated regarding shortages of goods.

### 3.4 Procurement

#### 3.4.1 Procurement Plan

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) A detailed procurement plan had not been prepared for the year under review.	A procurement plan should be prepared.	Correct procurement plan will be prepared in 2019.
(b) The Council had purchased capital assets valued at Rs.549,155 during the year under review. However, those assets had not been included in the procurement plan.	Descriptive procurement plan should be prepared.	Action will be taken to rectify in future.

### 4. Accountability and Good Governance

#### 4.1 Budgetary Control

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Adverse variances in 02 items of revenue aggregated Rs.6,769,679 ranging from 23 to 51 per cent.	Feasible estimates should be prepared.	The revenue obtained from licences and services were less than the expected amount.
(b) Adverse variances in 03 items of expenditure aggregating Rs.1,717,536 ranged from 12 to 13 per cent.	Feasible estimates should be prepared	The reasons were, increase in expenditure on equipment, unexpected repairs and increase in commissions paid for recovery of rates.



- (c) Favourable variances in 06 items of expenditure aggregating Rs.28,047,289 ranged from 09 to 100 per cent.
- Feasible estimates should be prepared
- The reasons were, allocation of provision for personal emoluments for vacancies in posts, replacements not made for officers who had been transferred and non-implementation of industries proposed under the capital plan.