

Ambalantota Pradeshiya Sabha

Hambantota District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to audit on 28 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 29 May 2019 and 07 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 Ambalantota 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 Qualified Opinion

(a) Accounting Deficiencies

The following accounting deficiencies were observed.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) Eight buildings valued at Rs.841,200 had either been demolished or dilapidated during the previous years. However, these had not been removed from the accounts.	Should be correctly brought to account.	Action will be taken to rectify in future.
(ii) The LP gas unit constructed at a cost of Rs.2,200,000 at the Lunama crematorium of the Sabha had not been capitalized.	All fixed assets should be brought to account.	Action will be taken to rectify in future.
(iii) The balance of court fines receivable as at end of the year under review and the revenue from court fines for the year	Should be correctly brought to account.	Action will be taken to rectify in future.

under review had been understated in the accounts by Rs.2,458,674 and Rs.1,000,000 respectively.

(b) Unreconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
Differences totalling Rs.709,768 existed between the balances of 02 items of accounts totalling Rs.5,729,328 and the balances shown in the related subsidiary registers/ schedules.	Differences of related balances should be reconciled and action should be taken to rectify.	Action will be taken to rectify differences.

(c) Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Four items of accounts totalling Rs.163,142,897 could not be satisfactorily vouched in audit due to non-remission of necessary information.	Evidence to confirm balances of accounts shown in the financial statements should be furnished.	Action will be taken to vest with the Sabha, to furnish age analysis and to furnish schedules for final accounts of 2019.

1.4 Non-compliance

1.4.1 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) 1988 Pradeshiya Sabha (Finance and Administration) Rules			

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| (i) Rule 185 | The monthly average excess cash in the General Account and the Development Account of the Sabha were Rs.5,226,443 and Rs.7,011,233 respectively. However, action had not been taken to invest at least a portion of it. | Action should be taken according to the rule. | Crediting the amount given by external institutions for development activities in this account and the receipt of court fines and stamp fees of previous years had attributed to this. The balance of the Development Account as at 30 April 2019 amounted to Rs.1,859,000. |
| (ii) Rule 193 | The items of revenue and expenditure had not been reconciled with the budget and a statement showing the cause of surpluses and deficits had not been furnished. | Action should be taken according to the rule. | Will be furnished with the final accounts 2019. |
| (b) Paragraph 05 of the Circular No. 433/233020/2010/01 of 27 December 2010 of the Southern Commissioner of Local Government | Agreements of 101 stalls had not been updated every 03 years. | Should act in accordance with the circular. | Agreements of 27 stalls had been updated. Action is being taken to update the remaining 74 stalls. |

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.2,329,171 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.13,693,491.

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	4,910,100	4,632,546	3,409,957	4,008,274	5,271,600	4,882,392	6,072,916	4,022,321
Lease Rent	16,723,700	15,764,400	15,207,683	3,455,208	17,075,700	15,775,010	17,825,633	3,179,316
Licence Fees	2,531,300	2,608,934	2,476,934	233,280	1,592,000	1,669,597	1,381,067	529,680
Other Revenue	86,315,300	82,248,941	67,152,044	26,806,049	127,046,500	105,484,322	57,025,583	55,780,549
Total	110,480,400	105,254,821	88,246,618	34,502,811	150,985,800	127,811,321	82,305,199	63,511,866

2.2.2 Performance in Collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
The overall revenue to be collected during the year under review amounted to Rs.168,766,687. However, the revenue collected during the year amounted to Rs.88,246,618 showing a progress of recovery in arrears of 52 per cent. As such, the arrears as at 31 December of the year under review amounted to Rs.34,502,811.	Arrears of revenue should be recovered soon.	Court fines and stamp fees due from the Provincial Council had not been properly received and the failure to recover the arrears of machine hire had resulted in 52 per cent of recovery.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
The balance of rates and taxes receivable as at 31 December of the year under review	Arrears of revenue should be recovered soon.	A sum of Rs.758,413 had been recovered from the

amounted to Rs.3,886,424. Of these, the amount due from 68 units of rates over Rs.5,000 amounted to Rs.1,212,869. As such, the performance in collection of rates was at a low level.

arrears as at 31 March 2019. Action will be taken to recover the balance.

2.2.4 Rent

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Action had not been taken to recover rent receivable from 50 stalls of the Sabha amounting to Rs.175,140 as at 31 December of the year under review.	Arrears of revenue should be recovered soon.	Out of the arrears, a sum of Rs.90,610 had been recovered as at 15 May 2019. Action will be taken to recover the balance.
(b) Action had not been taken to recover the revenue from hire of machinery amounting to Rs.1,842,904 as at 31 December of the year under review. Further, a balance of arrears of Rs.1,470,549 existing for 2 to 5 years had been included in it.	Arrears of machinery hire should be recovered soon.	Out of the arrears, a sum of Rs.197,435 had been recovered. Action will be taken to recover the balance.

2.2.5 Licence Fees

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) The revenue from licence fees receivable as at 31 December of the year under review for the period 2009 to 2014 amounted to Rs.17,850.	Arrears of licence fees should be recovered soon.	These arrears relates to the period 2009-2014. It is confirmed that these businesses are no more in existence. Action will be taken to write off the amount.
(b) Action had not been taken to recover trade and industrial tax of Rs.121,850 receivable from 49 trade units as at 31 December of the year under review.	Arrears of trade tax should be recovered soon.	Out of the arrears, a sum of Rs.51,600 had been recovered. Action will be taken to write off the balance.

2.2.6 Other Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to recover Rs.215,430 due from 08 notice boards as at 31 December of the year under review.	Arrears of notice board fees should be recovered soon.	Out of the arrears of the notice board fees, Rs.132,000 had been recovered. Action will be taken to write off the balance.

2.2.7 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
Court fines and stamp fees due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2018 amounted to Rs.10,190,173 and Rs.10,092,835 respectively.	Arrears of court fines and stamp fees should be recovered soon.	A sum of Rs.10,000,000 had been recovered on 14 March 2019. Action will be taken to recover the balance.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act No.15 of 1987, 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 30 main functions under Section 126 of the Pradeshiya Sabha Act. But, by-laws for 07 functions only had	Action should be taken to enact by-laws.	Action will be taken to enact by-laws.

been enacted even by 31 December 2018.

(b) Sustainable Development Target

Audit Observation	Recommendation	Comments of the Accounting Officer
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The Sabha had not prepared a long term plan to uplift the living standards and health of the public of the authoritative area of the Sabha 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.	Necessary action is being taken to prepare long term plans for sustainable development.

3.2 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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Rates and taxes should be assessed every 05 years. However, the Sabha had recovered rates and taxes on the basis of the rates assessed in 2011 even during the year under review.	Action should be taken soon to assess rates of properties.	The District Valuation Office had been intimated to assist revision of rates and taxes of properties by letters dated 21 May 2018, 20 August 2018 and 25 February 2019.

3.3 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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A survey of telecommunication towers within the authoritative area of the Sabha had not been made even by 31 December of the year under review.	Survey should be made.	Survey of telecommunication tower will be made in future.

3.4 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken even by end of the year under review to till 15 vacancies in the approved cadre.	Action should be taken to fill vacancies.	Two vacancies had been filled on 10 April 2019. The Commissioner had been informed of the remaining vacancies. Recruitments will be made for 03 posts for which approval of the Governor had been obtained.

3.5 Assets Management

3.5.1 Assets not acquired

Audit Observation	Recommendation	Comments of the Accounting Officer
Ownership of 09 vehicles, 12 land and 05 buildings of the Sabha had not been acquired even by 31 December 2018.	Action should be taken to acquire assets	Requests had been made to the authorities for acquirement of land and buildings. Action will be taken to acquire ownership of 09 vehicles in future.

3.5.2 Annual Board of Survey

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken regarding shortages of 07 goods revealed at the board of survey of the Pradeshiya Sabha for 2017.	Necessary action should be taken regarding shortages.	One water tank had corroded at the Thawaluwila Public latrine. Action will be taken in future to find out the other water tanks and 05 canopies.

3.6 Procurement

3.6.1 Contract Administration

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Feasibility study reports had not been prepared for works.	Feasibility study reports should be prepared.	Feasibility study reports for will be prepared from 2019.
(b) The Pradeshiya Sabha had repaired the Hungama sub office building and constructed the stores of the garbage management worksite at Uhapitagoda. A sum of Rs.18,896 had been paid for work not done in respect of 02 jobs.	Payments should not be made for work not done.	Informed to attend to deficiencies. If not, action will be taken to recover over paymesnts from the retention money.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Expenditure incurred on one item of expenditure had exceeded the limits by Rs.5,633,190, that is by 61 per cent.	Feasible estimates should be prepared.	Action will be taken to avoid short comings.
(b) Savings in one item of expenditure amounted to Rs.619,591, that is 49 per cent.	Feasible estimates should be prepared.	Action will be taken to avoid short comings.