

**Tangalle Pradeshiya Sabha**

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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 29 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.

**1.2 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 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**

	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(i)	Eleven assets valued at Rs.831,297 which had been purchased/ received as donations during the year under review had not been capitalized.	All fixed assets should be brought to account.	Action will be taken to rectify in future.
(ii)	Over provision for work creditors during the year under review amounted to Rs.1,860,515.	Correct value should be brought to account.	Action will be taken to rectify in future.
(iii)	The land costing Rs.500,000 purchased during the year under review and the tube well-constructed for	All fixed assets should be brought to account.	Action will be taken to rectify in future.

Rs.120,000 had not been capitalized.

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| (iv) | The cost of old Pradeshiya Sabha building demolished during the year under review had been removed from the accounts less by Rs.73,975.      | Correct value should be brought to account.                        | Action will be taken to rectify in future. |
| (v)  | Provision had not been made for 03 types of expenditure aggregating Rs.78,081 for the year under review.                                     | Expenditure should be correctly identified and brought to account. | Action will be taken to rectify in future. |
| (vi) | The expenditure of Rs.343,782 incurred on repairs to the Ranna Public Latrine during the year under review had been capitalized as an asset. | Should be correctly brought to account.                            | Action will be taken to rectify in future. |

**(b) Unreconciled Control Accounts**

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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Difference of Rs.200,000 was observed between an item of account in the financial statements amounting to Rs.1,203,150 and its related balance appearing in the subsidiary register.	Differences of related balances should be reconciled and rectified.	The provision for audit fees had been inadvertently not included in the schedule of expense creditors.

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

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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Eleven items of accounts aggregating Rs.495,898,697 could not be satisfactorily vouched in audit due to non-remission of necessary information.	Evidence to confirm balances of accounts in the financial statements should be furnished.	Action will be taken to furnish while preparing the final accounts 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) Section 134(1) of the Pradeshiya Sabha Act No.15 of 1987.	The Sabha had not paid attention to assess and recover rates and taxes.	Should act according to the Act.	Improved village areas had been gazetted. Protests were made at the general council when proposals were forwarded for assessment of properties. As such, the approval of the general council had not been obtained for improved village areas.
(b) Gazette Notification No.1534/18 of 01 February 2008.	Environmental protection licences had not been issued afresh for environmental protection licences exceeding 03 years.	Action should be taken according to the Government Gazette Notification.	Industrialists had been requested to renew environmental licences. They have not responded. The inoperative industries which had exceeded the period of validity of licenses had been requested to inform. Action will be taken to issue licences for industries requiring renewal of licences.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.			
(i) Financial Regulation 104(1)	Preliminary inquiries had not been held regarding 04 accidents occurred to vehicles of the Sabha in 2013, 2016 and during the year under review.	Should act according to the Financial Regulation.	Preliminary inquiries of 03 vehicles will be held in May 2019. The preliminary inquiry report of one vehicle had been forwarded to the Sabha by the committee.

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| (ii)  | Financial Regulation<br>395(d)  | Bank reconciliation statement of one current account for the year under review had not been prepared.  | Should according to Financial Regulation. | act to the | Inadvertently not furnished. The bank reconciliation statement of the account will be furnished to audit on 10 May 2019.   |
| (iii) | Financial Regulation<br>396(d)  | Action had not been taken regarding 14 cheques valued at Rs.31,911 which had exceeded 06 months since their issues.                              | Should according to Financial Regulation. | act to the | The value of those cheques had been credited to revenue in May 2019.   |
| (iv)  | Financial Regulation<br>571   | Action had not been taken to settle 199 balances of miscellaneous deposits valued at Rs.1,185,243 exceeding 02 years and 16 per cent retentions. | Should according to Financial Regulation. | act to the | Action will be taken in 2019 to credit to revenue 199 balances of deposits and 16 retentions.  |
| (d)   | Paragraph 3.1 of the Public Administration Circular No.30/2016 of 29 December 2016.                                     | Consumption of fuel by 12 vehicles of the Sabha had not been tested.   | Should according to circular.             | act to the | New milometers will be fixed in lieu of inoperative meters. Fuel tests will be carried out as required in future.  |
| (e)   | Treasury Circular No.IAI/2002/02 of 28 November 2002.   | A register of fixed assets had not been maintained for computers and accessories of the Sabha.   | Should according to circular.             | act to the | Officers are instructed to prepare register of fixed assets as per specimen form.  |
| (f)   | Paragraphs 05 and 06 of the circular No.දපපා/පපාකො/2010/01 of 27 December 2010 of the Commissioner of Local Government. | Agreements and assessed values of 08 stalls had not been updated.  | Should according to circular.             | act to the | Necessary activities are being taken to update agreements. The general council had passed a resolution stating that it will be suitable if billings are done after making repairs within 02 years. |

## 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.25,642,295 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.10,770,464.

### 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	560,000	930,786	823,238	382,909	8,095,500	6,219,053	6,310,576	275,361
Lease Rent	4,611,000	6,433,930	6,389,672	1,489,282	11,967,900	8,865,155	9,416,195	1,461,184
Licence Fees	3,000,000	2,536,269	2,536,269	-	2,446,700	4,097,079	4,097,079	-
Other Revenue	15,500,000	30,183,903	15,620,130	89,625,228	19,554,500	16,055,937	13,514,765	75,187,020
Total	23,671,000	40,084,888	25,369,309	91,497,419	42,064,600	35,237,224	33,338,615	76,923,565

#### 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.76,923,565 and the billings of the year amounted to Rs.40,084,888. Accordingly,	Arrears of revenue should be recovered.	Action will be taken in future to improve collection of revenue.

the overall revenue to be collected during the year was Rs.117,008,453. However, the revenue collected during the year amounted to Rs.25,369,309 showing a progress of 22 per cent in collection of revenue. A further sum of Rs.91,497,419 was recoverable as arrears of revenue as at end of the year.

### 2.2.3 Rates and Taxes

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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) The Pradeshiya Sabha had not taken action in terms of Section 1(158) of the Pradeshiya Sabha Act to recover the acreage tax of Rs.160,069 receivable as at 31 December of the year under review.	Action should be taken to recover arrears of acreage tax.	Unnecessary arrears are shown due to sale of land, blocking, erroneous billings etc. As such, action will be taken to update the register of acreage tax.
(b) Action had not been taken in terms of Section 4(150) of the Pradeshiya Sabha Act to recover the trade tax of Rs.222,840 from 211 business units as at 31 December of the year under review.	Arrears of trade tax should be recovered.	Permission to write off Rs.40,950 of the arrears had been requested from the Chief Minister. Necessary recommendations are being sought with regard to Rs.21,410 due from stalls that had been closed. Out of the arrears, Rs.9,700 had been recovered. Legal action will be taken to recover the balance.

## 2.2.4 Rent

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Action had not been taken in terms of Section 159(1) of the Pradeshiya Sabha Act to recover the arrears of stall rent of Rs.808,659 due to the Sabha from 50 stalls as at 31 December of the year under review.	Arrears of rent should be recovered.	Six stalls had been sealed and their values amounts to Rs.370,370. Permission to write off Rs.7,200 due from 04 stalls had been sought from the Chief Minister. Out of the balance of arrears, Rs.128,440 had been recovered. Further action is being taken to recover the dues.
(b) Fair tax and demurrages amounting to Rs.680,884 was due from 07 week end fairs of the Sabha as at 31 December of the year under review.	Arrears of rent should be recovered.	A sum of Rs.232,388 had been recovered. Lessees had been informed with regard to recovery of balances. Legal action will be taken.

## 2.2.5 Court Fines and Stamp Fees

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Court fines and stamp fees of Rs.1,564,302 and Rs.88,060,926 respectively were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2018.	Arrears of court fines and stamp fees should be recovered.	Out of the arrears of court fines and stamp fees Rs.402,938 had been recovered. Letters had been forwarded to the Chief Secretary through the Assistant Commissioner of Local Government 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) Solid Waste Material Management

	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(i)	Environmental Protection Licences 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.	Application had been made for environmental protection licence. Deficiencies pointed out will be systematically rectified and action will be taken to obtain the relevant environmental protection licences.
(ii)	Action had not been taken to conduct Garbage Management Programmes for increasing the knowledge in recycling of garbage in the areas of the Sabha where garbage is not being collected.	Knowledge of the public should be improved by conducting programmes.	Awareness among the public had been made in many ways from time to time. A special programme is to be conducted in the area surrounding Kudawella regarding non-degradable garbage, on a specific date and time.
(iii)	A fence with nets had not been erected around the garbage centre in order to avoid materials like polythene mixing with the environment.	A fence with nets should be erected around the garbage centre.	Extensive money will be spent on erecting pence. As such, the front portion only had been fenced with net. Shortcomings will be rectified in future by obtaining provision from the Pradeshiya Sabha.



(b) **Sustainable Development Targets**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- 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.	----- Proposals for implementation during the 04 years period 2019-2022 in order to achieve sustainable development objectives had been included in the four years plan.

**3.2 Management Inefficiencies**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Four hundred and fifty two library books removed from the libraries of the Pradeshiya Sabha by members during 2013 to 2018 had not been returned even by end of the year under review.	Action should be taken to obtain the library books.	Action will be taken to obtain library books not returned.
(b) An advance of Rs.229,250 had been paid in 2016 to purchase 02 management information systems costing Rs.655,000 without making feasibility studies. However, their operational capacity were at an initial stage and action had not been taken even during the year under review to renovate them suitably.	These systems should be maintained in its best operational level.	The institution from which these systems had been purchased had been informed to update these suitably. The institution concerned arrived and instructed about its operations.
(c) Out of the Sabha's collections of 28 March and 30 October of the year under review amounting to Rs.32,070 and Rs.15,260 respectively, a sum of Rs.15,260	Cash should be deposited in appropriate bank accounts.	The sum of Rs.32,070 erroneously deposited had been recovered from the person concerned and credited to the General Account on 29 March 2019 and Rs.15,260

had been deposited in 02 personal accounts instead of the current account of the Sabha.

had been credited to the General Account on 10 April 2019.

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| (d) | According to the P.S 02 report, Rs.82,678 collected on 06 December of the year under review had been deposited in the bank on 03 January 2019 after retaining it for a month. | Cash should be banked without delay.  | That has happened inadvertently. Action will be taken to avoid such repetitions.  |
| (e) | Action had not been taken to identify officers responsible for 04 accidents caused to vehicles of the Sabha and to recover the loss accordingly.                              | Action should be taken to investigate and recover loss from officers responsible. | Preliminary inquiries will be held to find out officers responsible for the loss and action will be taken to make recoveries. |

### 3.3 Human Resources Management

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
(a) Action had not been taken even by end of the year under review to fill 13 vacancies in the approved cadre.	Action should be taken to fill vacancies in the cadre.	Six vacancies had been filled on 01 February 2019 and 01 vacancy had been filled on 21 March 2019. The rest will be filled in future.
(b) Thirteen employees of the Sabha had been assigned with duties other than the approved duties.	Should be assigned with approved duties.	Employees in other posts had been assigned with daily duties as there were no adequate drivers. Vacancies will be gazetted and employees who were sick had been assigned with office duties.
(c) Distress loan of Rs.94,200 and festival advance of Rs.1,250 due from an officer had not been recovered since 2015.	Action should be taken to recover employees' loans.	Letters had been sent to recover loan balances from the officer who had vacated post. As there was not response, action had been taken to refer this to the Conciliation Board.

### 3.4 Operating Inefficiencies

	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a)	A survey of industries requiring environmental licences had not been done during the year under review.	A survey of industries which needs environmental licences should be done.	Action will be taken in future to carry out a survey of industries which should obtain environmental protection licences.
(b)	Unauthorized structures of the area had not been surveyed during the year under review.	Unauthorized structures should be surveyed.	Prompt action will be taken to survey constructions.

### 3.5 Assets Management

#### 3.5.1 Assets not acquired

	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
	Legal ownership of 38 lands, 09 buildings and 05 vehicles used by the Sabha had not been acquired even by 31 December of the year under review.	Action should be taken to acquire assets	Land used by the Sabha had been donated during the Development Council period. Title deeds and documents of them had been destroyed when the office was set on fire during the period of terror. The Sabha is in possession of 08 lands. The request of the Secretary to the Ministry of Local Government had been referred to the Divisional Secretary and the Governor too had been made aware of this. Action will be taken to acquire vehicles.

### 3.5.2 Idle/ Under- utilized Assets

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The double cab of the Sabha and the cab received from the Ministry of Local Government remained idle since 2011 and 1996 respectively. Action had not been for their disposal or repairs.	Action should be taken to repair and use or to dispose idle assets.	Action will be taken for disposal of cab No.5718-53 and necessary action will be taken to acquire cab No.6507-252.

## 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.77,897,107 ranging from 29 to 89 per cent.	Feasible estimates should be prepared.	Expected revenue had not been obtained due to repairs to vehicles and the capital aid expected from the Central Government and the Provincial Council had not been obtained. These had attributed to the variances.
(b) Savings in 04 items of Objects aggregated Rs.60,657,903 ranging from 21 to 100 per cent.	Feasible estimates should be prepared.	The reasons were savings in members' allowances, provision for railway warrants and capital expenditure.
(c) Adverse variance in one Object amounting to Rs.2,096,494 represented 27 per cent.	Feasible estimates should be prepared.	The reason was increase in expenditure on supplies and equipment.