

Tissamaharama Pradeshiya Sabha

Hambantota District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the relevant Auditor General's report and the management report had been forwarded to the Chairman on 29 May 2019 and 07 June 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in f this report, the financial statements of the Tissamaharama Pradeshiya Sabhal give a true and fair view of the financial position 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 stores for segregation of non-degradable garbage costing Rs.1,948,022 constructed during the year under review had not been capitalized.	All fixed assets should be brought to account.	Will be rectified by Journal Entry No.02 while preparing the accounts for 2019.
(ii) The Palliyawatta Public library and the Public Latrine totally costing Rs.1,297,047 had been removed. But, their values had not been removed from the accounts.	Cost of assets removed should be removed from accounts.	Will be rectified by Journal Entry No.03 while preparing the accounts for 2019.
(iii) The buildings and the public latrine totally valued at Rs.1,125,000 had been demolished in 2016 for the	Cost of assets removed should be removed from accounts.	Will be rectified by Journal Entry No.04 while preparing the accounts for 2019.

	Debarawewa Fair development Project. This had not been removed from the accounts.		
(iv)	The building of the fair, public latrine and the fish stall constructed at Debarawewa In 2017 at a total cost of Rs.5,100,816 had not been capitalized.	All fixed assets should be brought to account.	Will be rectified by Journal Entry No.05 while preparing the accounts for 2019.
(v)	The tractor trailer costing Rs.130,000 auctioned subsequent to the board of survey 2017 had not been removed from the books.	The cost of goods auctioned should be removed.	Will be rectified by Journal Entry No.06 while preparing the accounts for 2019.
(vi)	The value of tractor trailer received as donation by the Pradeshiya Sabha from the Department of Local Government had not been brought to account.	All fixed assets should be brought to account.	The value had not been brought to account as the information is not available at the Pradeshiya Sabha.
(vii)	Four assets totally valued at Rs.98,890 purchased and received as donation during the year under review had not been capitalized.	All fixed assets should be brought to account.	Will be rectified by Journal Entry No.07 while preparing the accounts for 2019.
(viii)	Court fines and stamp fees had been overstated in the accounts by Rs.979,772 and Rs.6,091,015 respectively during the year under review.	Revenue of the year should be correctly brought to account.	Will be correctly brought to account in future.
(ix)	Transactions totally valued at Rs.409,031 pertaining to rectifications of the previous year's account had been credited to the Accumulated Fund instead of the creditors account of the year under review.	Adjustments should be made through relevant accounts while rectifying accounts.	Action will be taken to avoid such discrepancies in future.

(b) Unreconciled Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Differences totaling Rs.7,689,590 existed between the balances of 11 Items of accounts aggregating Rs.53,521,200 and the balances shown in the subsidiary registers/schedules.	Action should be taken to reconcile the differences in the balances and rectify the accounts.	Variances in the balances will be rectified in future.

(c) Lack of Necessary Documentary Evidence for Audit

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Action had not been taken to rectify the debit balance of Rs.303,668 in Suspense Account which appeared in the financial statements.	Should be looked into, make necessary adjustments in the accounts and the Suspense Account.	Will be rectified while preparing the accounts for 2019.

(d) Lack of Necessary Documentary Evidence for Audit

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Sixteen items of accounts aggregating Rs.47,793,768 could not be satisfactorily vouched in audit due to non- rendition of necessary information.	Evidence to confirm balances of accounts shown in the financial statements should be produced.	Action will be taken to prepare and furnish detailed schedules.

1.4 Non compliance

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

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) 1988 Pradeshiya Sabha (Finance and Administration) Rule 193	Items of revenue and expenditure had not been reconciled with the budget and a statement showing reasons for surpluses and deficits had not been furnished to audit.	Should act in accordance with the rule.	Will be furnished with the accounts for 2019.
(b) Financial Regulation 371 of the Democratic Socialist Republic of Sri Lanka	Although advances should be settled immediately after the work is over, such action had not been taken regarding advances amounting to Rs.279,869	Should act in accordance with the Financial Regulation.	Information regarding advances of Rs.166,869 is unable to be obtained. Balances of advances of 2018 amounting to Rs.113,000 had been settled.
(c) 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 recover fees for 31 environmental them as their period of validity had expired.	Should act according to the Gazette Notification.	Action will be taken to renew the 31 licences concerned before 31 May 2019.

(d)	Paragraph 3.1 of the Public Administration Circular No.30/2016 of 29 December 2016	Consumption of fuel by 13 vehicles of the Sabha had not been tested.	Should act according to the Circular.	Action will be taken to test consumption of fuel by 13 vehicles.
(e)	Circular of the Chief Secretary of the Southern Province No.01/2014 of 24 February 2014	Security deposits of Rs.39,000 had not been furnished for 04 posts.	Should act in accordance with the circular.	Fourteen officers had been requested to furnish security deposits.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha of the year under review amounted to Rs.20,997,078 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.4,892,629.

2.2 Financial Control

Audit Observation	Recommendation	Comments of the Accounting Officer
The balance of the Accumulated Fund of the Sabha as at 31 December of the year under review showed a negative value of Rs.27,015,730.	Action should be taken to maintain better financial Control.	The value of the Accumulated Fund had become negative due to prior year adjustments.

2.3 Revenue Administration

2.3.1 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.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	2,872,000	3,021,970	2,815,626	3,223,896	2,820,000	2,963,492	3,100,407	3,252,567
Rent	10,351,300	14,715,167	12,665,597	3,372,682	9,622,700	10,145,003	10,717,314	1,089,089
Licence Fees	13,150,000	16,708,495	15,520,979	1,291,016	13,061,500	14,720,225	15,087,881	336,423
Other Revenue	30,163,900	26,802,429	23,456,152	22,153,406	23,379,400	14,509,692	12,877,398	18,214,481
Total	56,537,200	61,248,062	54,458,354	30,041,000	48,883,600	42,338,412	41,783,000	22,892,560

2.3.2 Performance in collection of Revenue

Audit Observation

Although the overall revenue to be collected during the year under review was Rs.84,140,622, the revenue collected amounted to Rs.54,458,354 representing 65 per cent.

Recommendation

Arrears of revenue should be soon.

Comments of the Accounting Officer

Arrears had increased due to increase in arrears of court fines, stamp fees, fair tax and entertainment tax.

2.3.3 Trade Tax

Audit Observation

- (a) The revenue from rates and taxes recoverable as at December of the year under review amounted to Rs.2,900,144. Action had not been taken to recover the arrears in terms of Section 158(1) of the Pradeshiya Sabha Act.

Recommendation

Arrears of revenue should be recovered soon.

Comments of the Accounting Officer

Red notices had been issued to owners of properties for recovery of arrears of rates and taxes. Distraint orders had been given to revenue inspectors

(b)	Improved areas should be identified and rates and taxes should be revised from time to time. However, rates and taxes had only areas of rates and taxes had been recovered from improved areas identified in the gazette notification of 14 March 1986.	Arrears of rates and taxes should be revised from time to time.	Arrears of rates and taxes had been revised by the decision No.20 of the Sabha meeting held on 18 July 2018. Recoveries will be made subsequent to fulfilment of legal requirements.
(c)	Rates and taxes of properties should be assessed every 05 years and rates and taxes should be recovered on the basis of annual value. However, rates and taxes had been recovered on the basis of the 2007 assessment.	Action should be taken in terms of the circular.	A field inspection had been carried out in 2018 for new assessments. Assessment reports had not been received yet.
(d)	Garbage tax of Rs.554,225 recoverable as at 31 December of the year under review had not been recovered.	Arrears of revenue should be recovered soon.	Paragraph accepted. Rs.457,725 had been recovered on 23 April 2019. Action will be taken to recover the balance.

2.3.4 Rent

Audit Observation

Recommendation

Comments of the Accounting Officer

a)	Action had not been taken to recover rent receivable amounting to Rs.2,482,498 from stalls of the Sabha as at 31 December of the year under review.	Arrears of rent should be recovered.	Out of the arrears, Rs.543,608 had been recovered as at 31 March 2019. The balance will be recovered soon.
b)	Action had not been taken to recover the revenue from machinery charges and the	Arrears of rent should be recovered.	A sum of Rs.24,750 had been recovered on 31 January 2019 and the

house rent of Rs.336,150 and Rs.72,072 respectively as at 31 December of the year under review.

persons concerned had been informed to pay the balance.

2.3.5 Licence Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Action had not been taken to recover the licence fees and business tax of Rs.79,250 and Rs.202,400 respectively receivable as at 31 December of the year under review.	----- Arrears of fees should be recovered.	----- Out of the arrears, Rs.30,200 had been recovered in first quarter of 2019. Action will be taken to recover the balance.

2.3.6 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Court fines and stamp fees of Rs.1,738,558 and Rs.16,269,432 were receivable from the Chief Secretary of the Provincial Council and other institutions as at 31 December 2018.	----- Arrears of court fines and stamp fees should be recovered.	----- Out of the arrears, Rs.10,000,000 had been recovered. 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, 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

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Various licences had not been obtained for the 10 acre land belonging to the Department of Wild Life where garbage had been disposed of.	Action should be taken to obtain licences.	Action had been taken to vest 05 acres with the Sabha and requests had been made to acquire further 25 acres.
(ii) Garbage had been set on fire in a portion of the land. Elephants, cattle etc., which arrive at the place consume the garbage endangering their lives.	Immediate action should be taken to rectify.	Ownership of the land had not been confirmed. As such, a fence cannot be erected. Unauthorized people set fire. A fence to avoid elephants from entering will be erected after acquiring the land.
(iii) According to the Environmental Protection Licence No.SU-B 01316(R1) of the Central Environmental Authority, fire extinguishing equipment should be installed and maintained In the compost facility area. However, such action had not been taken.	Conditions of the Environmental Protection Licences should be fulfilled.	Fire extinguishing equipment and facilities will be provided.

(b) Sustainable Development Targets

Audit Observation	Recommendation	Comments of the Accounting Officer
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	Indicators should be identified to measure sustainable development objectives and targets and	Knowledge relating to sustainable development objectives and targets will be obtained in future and

by the global indicators referred to in the 2030 Agenda of the Sustainable Development relating to sustainable development objectives and targets.

the purpose in achieving targets should be annually measured accordingly.

long term plans will be prepared to uplift the living standards.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The Sabha had not carried out a survey to identify and to avoid unauthorized constructions in the authoritative area of the Sabha during the year under review and the previous years.	Unauthorized constructions should be identified by carrying out surveys.	The technical officer will carry out monthly surveys regarding unauthorized constructions from 2019.
(b) The Pradeshiya Sabha had approved 312 building plans during 2014, 2015 and 2016, the validity period of which had expired. Compliance certificates had not been issued to those buildings by recovering the fees amounting to Rs.1,639,804.	Should examine whether constructions are up to specifications and compliance certificates should be Issued by recovering fees	Follow up action will be taken by the technical officers.
(c) Feasibility reports had not been prepared for work.		Feasibility reports should be prepared Feasibility reports will be prepared for work in 2019.

3.3 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 21 vacancies in the approved cadre and regularize 12 excesses.	Vacancies in the cadre should be filled and the excesses regularized.	Action will be taken to regularize excesses and to fill vacancies.

3.4 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) A survey of industries which requires environmental protection licences had not been carried out during the year under review.	Industries requiring issue of environmental licences should be identified.	Officers in charge of the subject had been instructed to carry out surveys. Surveys will be carried out and reports furnished in future.
(b) Although the agreements of stalls of the Sabha given on lease should be updated every 03 years in terms of the circular of the Commissioner of Local Government No.දපපා/පපාකො/2010/01 of 27 December 2010, such action had not been taken.	Should act in accordance with circular.	Agreements of 132 stalls had been updated and the agreements of remaining 336 agreements will be updated before 30 June 2019.
(c) Action had not been taken to recover annual lease rental from telecommunication towers established within the area of the Sabha during the year under review.	Action should be taken to recover annual lease rental.	Dialogue institution had been informed in writing that a survey of Telecommunication Towers will be made and fees recovered accordingly.
(d) Rent for official quarters of the Sabha had been recovered at the rate of Rs.75 per month without recovering on the basis of Establishment Code.	Monthly assessment of rent should be recovered.	Unable to find out the basis of monthly recovery of Rs.75 Not assessed, as the quarters will be demolished for development activities.

3.5 Assets Management

3.5.1 Safety of Assets not Ensured

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The becoloader of the Pradeshiya Sabha costing Rs.5,807,500 remained in a private garage for about 07 years exposed to elements.	Safety of assets should be ensured	Proper approval had been obtained and necessary accessories had been obtained from the CAT institution and repairs are being made by the garage at present.
(b) As a vehicle section had not been formed to park 18 vehicles and machinery of the Pradeshiya Sabha which are in usage, vehicles and machinery remained exposed to elements.	A vehicle section should be formed.	At present, vehicles are being parked in a place close to the Mahesenpura crematorium. A vehicle section will be constructed by providing funds in the 2020 budget.

3.5.2 Unattended Maintenance and Repairs

Audit Observation	Recommendation	Comments of the Accounting Officer
Six vehicles of the Pradeshiya Sabha remained inoperative for a long time. Action had not been taken for repairs/ disposal of those vehicles.	Action should be taken for repair/ disposal of Inoperative vehicles.	Repairs will be done soon.

3.5.3 Assets not Acquired

Audit Observation	Recommendation	Comments of the Accounting Officer
Registered ownership of 165 lands and 09 vehicles used by the Pradeshiya Sabha had not been obtained even by 31 December of the year under review.	The Sabha should acquire ownership of assets.	List of 162 lands had been referred to the Chief Ministry. Action will be taken to acquire in future.

3.5.4 Idle and under utilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Two boats, 11 sewing machines, a generator a block stone machine, a stone crusher and 2 bolwheel machines with a capacity of 50 kg belonging to the Sabha remained Idle at various places for a long time.	Idle assets should be repaired/ disposed of.	Recommendations of the board of survey 2018 had been accepted by Decision No.07 of the meeting held by the Sabha. Recommendations will be implemented.
(b) The work of the material collection building at the solid waste material centre premises had been completed on 23 December 2017 by incurring an expenditure of Rs.1,948,022. This had not been utilized even during the year under review.	The relevant building should be made use of.	Used for storing items of commercial value.

3.5.5 Annual Board of Survey

Audit Observation	Recommendation	Comments of the Accounting Officer
The recommendations of the board of survey 2017 had not been implemented even by 12 March 2019.	Recommendations of the board of survey should be implemented.	Recommendations of the board of survey 2017 will be implemented.

3.6 Procurement

3.6.1 Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
A procurement plan had not been prepared for the year under review.	A procurement plan should be prepared.	A procurement plan for 2020 will be prepared.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Adverse variances in 02 items of revenue aggregated Rs.12,510,925, ranging from 21 to 25 per cent.	Feasible estimates should be prepared.	An analytical budget will be prepared in future.
(b) A sum of Rs.3,745,404 representing 34 per cent had been spent in excess of the budgeted limit of an item of expenditure.	Feasible estimates should be prepared.	An analytical budget will be prepared in future.
(c) Savings aggregating Rs.22,669,898 ranging from 22 to 62 per cent occurred In 06 items of expenditure	Feasible estimates should be prepared.	An analytical budget will be prepared in future.

4.2 Audit and Management Committees

Audit Observations	Recommendations	Comments of the Accounting Officer
<p>According to the Management Audit Circular No.DMA/2009(1) of 09 June 2009 four Audit and Management Committee meetings should be held at the rate of one meeting per quarter. However, 01 meeting only had been held during the year under review.</p>	<p>Action should be taken in terms of the circular.</p>	<p>Action will be taken to hold relevant Audit and Management Committee meetings in 2019.</p>