

Tangalle Urban Council

Hambantota District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented for audit on 28 February 2020 and the summary report of the Auditor General on the financial statements and the management report had been forwarded to the Chairman on 17 June 2020 and 30 June 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in this report, the financial statements give a true and fair view of the financial position of the Tangalle Urban Council as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3.1 Basis for qualified opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The recurrent expenditure of Rs.126,841 for the year under review had been brought to account as capital expenditure.	Recurrent and capital expenditure should be correctly identified.	Action will be taken in future to account recurrent expenditure in such a manner so as the value of assets would not increase.
(ii) Court fine of Rs.127,923 received on behalf of the previous year had been accounted as revenue of the year under review.	Court fines should be accounted for the correct period.	A sum of Rs.6.250 belongs to the previous year and this had been entered in the revenue heads instead of debtors. The sum of Rs.121,673 had been accounted as revenue of the year under review as the period had not been denoted.

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) Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
(i) F.R.(1) 103	Necessary action had not been taken regarding the shortage of 05 equipment aggregating Rs.803,000 belonging to the fire extinguishing unit and the pre-school of the Urban Council.	Should act according to the Financial Regulation.	Action would be taken according to the verdict of the courts with regard to these items of equipment identified as shortages.
(ii) F.R.134(3)	The internal audit report of the year under review had not been furnished	Should act according to the Financial Regulation.	Two internal audit reports only had been furnished in 2019.
(iii) F.R.702(3)	Copies of agreements had not been furnished to the Auditor General.	Should act according to the Financial Regulation.	Agreements of contracts will be furnished for audit In future.
(b) Public Administration Circular			
Public Administration Circular No.02/2018 of 24 January 2018	An annual performance agreement and a human resource plan had not been prepared in respect of the overall staff.	Action should be taken to prepare the relevant agreements and plan.	A human resource plan had been prepared and a performance agreement had been signed for

the year 2020 as per Public Administration Circular No.02/2018.

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| (c) Public Finance Circular No. 2/2015 of 10 July 2015. | Action had not been taken to dispose of, the tipper vehicle valued at Rs.4,000,000 kept away from usage in 2018. | Action should be taken according to the provisions in the circular. | Approval had been sought from the Secretary to the Chief Ministry of the Southern Province to sell the tipper vehicle concerned by public auction. |
| (d) Letter of the Director General of the Department of Public Finance No. PF/RD/COPA/2019/01. | The annual performance report had not been prepared. | Action should be taken to prepare the annual performance report. | Action will be taken to prepare the annual performance report from 2020. |
| (e) Paragraph 05 of the circular No. SP/LGC/2010/01 dated 27 December 2010 of the Southern Commissioner of Local Government. | Agreements of 86 stalls of the Urban Council had not been updated and such periods ranged from 02 months to 37 years. | Action should be taken according to the provisions in the circular. | Cases are pending at the High Court, Tangalle with regard to 70 out of 86 stalls. Action will be taken to update agreements after the verdict. Agreements had not been entered into with regard to the remaining 16 stalls due to existing problems. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Council for the year ended 31 December of the year under review amounted to Rs.16,424,786 as compared with the revenue over recurrent expenditure of the previous year amounting to Rs.15,522,614.

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	2019				2018			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
Rates and Taxes	7,100,000	7,124,470	6,704,295	2,199,238	6,200,000	6,968,445	6,817,032	1,355,210
Rent	14,063,000	17,296,305	13,570,165	4,047,062	11,709,700	10,640,705	10,503,241	82,459
Licence Fees	903,000	796,529	784,528	12,000	1,153,000	891,252	891,252	-
Other Revenue	21,190,600	16,357,196	8,162,414	24,435,939	21,799,500	15,244,506	14,904,465	14,875,983
Total	43,256,600	41,574,500	29,221,402	30,694,239	40,862,200	33,744,908	33,115,990	16,313,652

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken in terms of Section 170(a) of the Urban Councils Ordinance to recover the rates and taxes of Rs.2,199,238 receivable as at 31 December of the year under review.	Action should be taken to recover arrears of rates and taxes as per Act.	Out of the arrears of rates and taxes, Rs.589,087 had been recovered by June 2020. Action will be taken to recover the arrears.
(b) Although rates as at 31 December of the year under review had been entered in the register of assessment, the rates receivable from 17 units	Action should be taken to recover arrears of rates and taxes.	The Commissioner of Local Government would be informed of the sum of Rs.22,227 receivable from 17 properties physically not in

of assets which were physically not in existence amounted to Rs.22,227.

existence in order to write off it.

2.2.3 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Action had not been taken to recover stall rent of Rs.3,603,712 receivable from 129 stalls of the Council as at end of the year under review. Out of the balances of arrears, balances relating to 2 to 5 years and balances over 5 years amounted to Rs.12,750 and Rs.14,456 respectively.</p>	<p>Action should be taken to recover arrears of revenue from rent.</p>	<p>Recovery of rent could not be made due to the case pending against implementation of new assessments. Action will be taken to recover after the verdict of the court.</p>
<p>(b) Action had not been taken to recover rent of houses, lease rent, rent of buildings and rent from fishery rest rooms aggregating Rs.443,350 receivable as at end of the year under review.</p>	<p>Action should be taken to recover arrears of revenue.</p>	<p>Out of the arrears, Rs.178,160 had been recovered. Lease rent of Rs.239,750 could not be recovered due to cases pending at the High Court. Action will be taken to recover the balance.</p>

2.2.4 Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Stamps fees receivable from the Chief Secretary of the Provincial Council and other authorities as at end of the year under review amounted to Rs.23,764,487. Of these, balances ranging from 2 to 5 years and balance over 5 years amounted to Rs.16,046,487 and Rs.218,000 respectively.</p>	<p>Action should be taken to intensify recovery of arrears of stamp fees.</p>	<p>Out of the arrears, a sum of Rs.3,600,000 had been recovered by May 2020. Action will be taken to recover the balance.</p>

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 4 of the Urban Council 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) Bye-Laws

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Bye-laws are required to fulfil 15 important matters under Section 157 of the Urban Councils Act. But, bye-law had been enacted for one matter alone even by end of the year under review.	Action should be taken to enact bye-laws.	Action will be taken to enact the remaining bye-laws.
(ii) Gazette notifications had not been issued for recovery of fees relating to 10 sources of revenue recovered by the Council during the year under review.	Action should be taken to issue gazette notifications while levying fees.	Not gazetted as the approval of the Council had not been obtained to issue gazette notifications for these sources of revenue.

(b) Delay in fulfilment of Functions

Audit Observation	Recommendation	Comments of the Accounting Officer
Eleven development proposals totally valued at Rs.10,975,100 and included in the budget of the year under review had not been implemented.	Attention should be drawn to fulfil development proposals included in the budget.	These development proposals had not been implemented due to lack of funds, lack of approval by the Department of Local Government and fulfilment of work by the Divisional Secretaries.

(c) **Objective of fulfilment of Sustainable Development**

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>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 through the global index pertaining to the objectives and targets of sustainable development referred to in the 2030 Agenda for sustainable development.</p>	<p>An index should be identified for measuring the objectives and targets of sustainable development and the achievement of annual progress should be measured accordingly.</p>	<p>Could not be effectively prepared due to lack of guidance and training in this regard.</p>

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Tender deposits of Rs. 130,000 of 6 black listed tenderers had been retained as deposits even by end of the year under review.</p>	<p>Action should be taken to settle tender deposits.</p>	<p>Action will be taken in future to credit it to revenue.</p>

3.3 Human Resources Development

(a) **Vacancies and Excesses in the Cadre**

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Action had not been taken to fill 22 vacancies in the approved cadre and to regularize 28 excesses.</p>	<p>Action should be taken to regularize the excess cadre and to fill the vacancies in posts.</p>	<p>Seventeen out of 28 excess officers had been recruited in terms of Circular No.25/2014. Although there were 22 vacancies, the Council has no authority to make recruitments for 8 posts. One vacancy had been filled and action will be taken to fill rest of the vacancies.</p>

(b) Employees' Loans

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The festival and distress loans receivable on behalf of 2 deceased officers even as at end of the year under review amounted to Rs.51,135.	Action should be taken to recover employees' loans.	These offices had completed 10 years of service and as such could not be recovered. Referred to the Commissioner of Local Government for write off.

3.4 Operating Inefficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Proper action had not been taken to inform owners of properties for which extension of period had not been granted for approved building plans and to issue compliance certificates for buildings constructed.	Proper procedure should be adopted for issue of compliance certificates.	Owners of properties had been informed to obtain extension of period for constructions not completed within one year and the owners of properties had been requested to obtain compliance certificates. Reminders had been sent in 2020 for plans approved during 2017 to 2019.

3.5 Assets Management

3.5.1 Idle and under utilized Assets

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Seven land and buildings of the Council totally valued at Rs.1,187,000 had not been beneficially utilized.	Action should be taken to utilize assets of the Council.	The ownership of 04 lands is not in possession of the Council. Two lands had been used for road development and the remaining land is being used as a car park.