

Hambantota Pradeshiya Sabha
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 detailed 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 of the Hambantota Pradeshiya Sabha give a true and fair view of the financial position 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**

	<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(i)	The revenue from stamp fees of Rs.6,579,300 receivable for the previous year had been accounted as revenue of the year under review.	Revenue should be correctly brought to account.	Action will be taken to rectify in future.
(ii)	The expenditure of Rs.4,453,124 Incurred on developing 06 properties of the Sabha during the year under review had not been capitalized whereas the expenditure of Rs.502,364 incurred on repairs to 03 properties had been capitalized.	Recurrent and Capital expenditure should be correctly identified.	Action will be taken to rectify in future.
(iii)	Furniture and fittings of Rs.678,880 had been brought to account under Machinery and Equipment as at end of the year under review.	Assets should be correctly brought to account.	Action will be taken to rectify in future.
(iv)	The computer purchased for Rs.136,000 during the year under review had not been brought to account and the 02 weighing machines valued	Assets should be correctly brought to account.	Action will be taken to rectify in future.

at Rs.157,480 had been brought to account under Machinery and Equipment twice.

- (v) The sum of Rs.285,727 shown as Pre payments in the financial statements of the previous year had not been brought to account as expenditure of the year under review. Expenditure should be correctly brought to account. Action will be taken to rectify in future.
- (vi) The value of 10 buildings of the Sabha had not been assessed and brought to account. Assets should be assessed and brought to account. Action will be taken to rectify in future.

(b) **Unreconciled Accounts**
Audit Observation

The difference between 06 items of accounts totaling Rs.282,151,897 and the balance appearing in the related subsidiary registers/schedules amounted to Rs.18,305,647.

Recommendation
Action should be taken to furnish correct subsidiary registers relating to balances shown in the accounts,

Comments of the Accounting Officer
The opening balance had been omitted while adding the schedule. Differences will be examined and identified. The reason for differences will be identified and included in the future accounts furnished.

(c) **Lack of necessary Documentery Evidence for Audit**
Audit Observation

Necessary Information needed for audit of 10 items of accounts totaling Rs.34,287,568 had not been furnished.

Recommendation
Evidence to confirm the balances shown in the financial statements should be furnished.

Comments of the Accounting Officer
Action is being taken by the Sabha to acquire assets and assess them. Schedule will be furnished with the reply.

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(2) of the Pradeshiya Sabha Act No.15 of 1987 Action had not been taken to periodically identify the developed areas within the Sabha. Action should be taken according to the provisions in the Act. Developed areas could not be identified due to lack of adequate staff. Developed areas will be identified in future after obtaining the staff.

(b) 1988 Pradeshiya Sabha (Finance and Administration) Rules – Rule - 193	A statement showing for surpluses and deficits had not been prepared and furnished to audit with the budget as at 31 December.	Action Should be taken according to the Rules.	A statement showing reasons to surpluses and deficits will be prepared and furnished with the reply.	
(c) Financial Regulations of The Democratic Socialist Republic of Sri Lanka	(1) F.R 371(5)	Advances of Rs.226,527 existing since 2016 had not been settled even during the year under review.	Should act according to the financial regulation.	Those are balances which continues for many years.
	(11) F.R 702 (3)	Copies of agreements of contracts had not been furnished to the Auditor General.	Should act according to the financial regulation.	Copies of agreements signed for the year under review are sent with the reply.
(d) Paragraph 04 of the Circular No.PFD/RED/COPA/2019/01 of the Director of State Accounts.	Performance report had not been prepared annually.	Action should be taken to prepare performance report annually.	Performance report had not been prepared annually. Will be prepared in 2020 and furnished with the accounts.	

2. **Financial Review**

2.1 **Financial Results**

According to the financial statements presented, the revenue in excess of the recurrent expenditure of the Sabha for the year ended 31 December of the year under review amounted to Rs.33,342,475 as compared with the revenue in excess of the recurrent expenditure of the previous year amounting to Rs.12,488,338.

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
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and taxes	703,076	786,264	870,515	719,849	1,988,492	2,631,265	1,833,323	1,304,694
Rent	17,066,300	16,119,465	15,617,700	21,200	8,455,900	5,603,000	5,553,900	39,400
Licences Fees	17,900,000	19,147,337	19,089,587	715,879	11,813,700	16,644,801	16,559,851	790,080
Other Revenue	14,847,500	24,821,402	9,901,168	30,637,785	7,491,300	6,291,823	1,870,591	21,195,890
Total	50,606,876	60,868,468	45,478,970	32,094,713	29,749,392	31,170,889	25,817,665	23,330,064

2.2.2 Rates and Taxes

Audit Observation

- (a) Action had not been taken to recover rates and taxes of Rs.674,787 as at end of the year under review. Of this, Rs.309,315 related to the year 2015.

- (b) Properties should be assessed for rates and taxes every 05 years. However, the rates and taxes recovered for the year under review had been based on the assessment made in 2011.

Recommendation

Action should be taken to recover arrears of rates and taxes.

Assessment should be revised every 05 years.

Comments of the Accounting Officer

Out of the arrears, a sum of Rs,105,768 had been recovered along with the sum of Rs.247,762 included in the revenue billed. Distraing orders could not be served for legal action or arrears of rates and taxes could not be recovered as there was no officer in charge of the subject since April 2019. These shortcomings will be rectified in 2020.

Many requests had been made to the Department of Valuation for new assessments. But, assessment had not been made so far.

2.2.3 Revenue from Rent of Machinery

Audit Observation

Action had not been taken to recover hire charges of Rs.105,308 receivable on behalf of the machinery of the Sabha as at end of the year under

Recommendation

Action should be taken to recover arrears of revenue from hire of machinery.

Comments of the Accounting Officer

This amount could not be recovered in 2019. Action will be taken to recover in 2020.

2.2.4 **Court Fines and Stamp Fees**

Court fines and stamp fees receivable From the Chief Secretary, Provincial Council and other authorities amounted to Rs.62,018,816 and Rs.22,702,253 respectively.	Action should be taken to intensify recovery of arrears of court fines and stamp fees,	Action will be taken to recover court fines and stamp fees due as at 31 December 2019.
--	--	--

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 highways, healthy environment of the public, facilities, welfare etc.

(a) **Bye-Laws**

Audit Observation

Although by-laws should have been enacted for 30 important matters as per section 126 of the Pradeshiyan Sabha Act, bye-laws had been enacted for 18 matters only even by end of the year under review

Recommendation

Action should be taken to enact bye-laws.

Comments of the Accounting Officer

Action will be taken to enact bye-laws for 30 functions referred to in the Pradeshiya Sabha Act.

(b) **Delay in Execution of Work**

Audit Observation

Provision had been made in the budget for execution of 03 projects valued at Rs.656,896 during the year under review. These had not been executed. Instead, projects for which provision had not been made had been executed.

Recommendation

Attention should be paid to fulfill development proposals included in the budget.

Comments of the Accounting Officer

Two roads could not be developed by spraying small stones due to heavy rain. The other road had been developed by the Department of Irrigation.

(c) **Fulfillment of objectives of Sustainable Development Targets**

Audit Observation

The Sabha had not prepared a long term plan to uplift the living standard and health of the public of the authoritative area of the Sabha through the global index pertaining to the

Recommendation

An index should be identified for measuring the objectives and targets of sustainable development and annual progress should be measured accordingly.

Comments of the Accounting Officer

The budget for 2019 and a four plan had been prepared to achieve sustainable Development objectives and targets.

objectives and targets of the sustainable development referred to in the 2030 agenda for sustainable development.

3.2 **Human Resources Management**

3.2.1 **Vacancies in the Cadre**

Audit Observation

Action had not been taken to fill 08 vacancies the approved cadre and regularize 17 excesses.

Recommendation

Action should be taken to regularize the excess cadre and to fill the vacancies.

Comments of the Accounting Officer

Four out of 08 vacancies had been filled. Requests had been made to fill the rest. Out of the 17 excesses, one post belongs to the approved cadre of the department.

3.3 **Assets Management**

3.3.1 **Assets not acquired**

Audit Observation

Action had not been taken to acquire legal ownership of 29 land and 07 buildings used by the Sabha.

Recommendation

The Sabha should take action to acquire legal ownership of assets.

Comments of the Accounting Officer

Requests had been made to the Divisional Secretary through the Chief Secretary for acquirement of land and buildings used by the Sabha. Survey of 13 lands had been completed and survey orders had been received for 11 of them. Action is being taken to obtain survey orders for the rest. Action is also being taken to acquire the Mahaweli land.