

## Tangalla 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 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 Pradeshiya Sabha 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
<p>(i) An a result of the understatement of the balance of Accumulated Fund Account by Rs.8,228,603 as at 31 December 2017, a suspense Account had been opened for this value. This had been settled during the previous year by journal entry. The following observations are made in this regard.</p> <ul style="list-style-type: none"><li>The difference of Rs.17,399,501 between the financial statements and the ledger regarding the accumulated fund account at commencement of 2017 had been adjusted as</li></ul>	<p>The correct balance of ledger accounts, should be entered in the financial statements.</p>	<p>Action will be taken to rectify in future.</p>

	Rs.3.535.925 causing a difference of Rs.13,863,576		
•	The sum of Rs.4.691.887 between the financial to the Accumulated Fund balance as at end of the pervious year had again been debited to the Accumulated Fund without being identified.	Adjustments should be made after identifying the Accumulated Account balance.	Audit paragraph accepted.
•	Out of the balance of Rs. 4,691,887 written off the Accumulated Fund during the previous year,a sum of Rs.4,674,634 had been identified during the year under review. The unidentified balance of Rs.17,253 had been shown in a Suspense Account.	The unidentified balance should be shown in suspense account.	Action will be taken to rectify in 2020 accounts.
(ii)	The expenditure of Rs.3,056,000 incurred on developing properties of the Sabha had not been brought to account.	Assets should be correctly accounted.	Action will be taken to rectify in 2020 accounts.
(iii)	Over provision of Rs. 1,000,000 had been made for work creditors payable as at end of the year under review.	Balance of creditors should be correctly accounted.	Action will be taken to rectify in 2020 accounts.
(iv)	Revenue expenditure of Rs.343,782 had been capitalized under Land and Buildings thus, the same value had been capitalized again. As a result, Land and Buildings had been overstated in the accounts by Rs.687,564.	Rectification should be correctly entered.	Action will be taken to rectify in 2020 accounts.
(v)	The key money of Rs.345.000 receivable from 04 stalls for which agreements had been	Should be correctly accounted.	Action will be taken to rectify in 2020 accounts.

entered into had not been brought to account.

- |        |   |   |   |
|--------|---|---|---|
| (vi)   | Key money aggregating Rs.2,802,312 recovered for stalls from 2014 the year under review had been retained in the Deposit Account as key coins deposit.                                      | Revenue from key money should be correctly accounted. | Action will be taken to rectify in 2020 accounts.                 |
| (vii)  | The sum of Rs.129,500 payable for cleaning the Sabha building during the year under review had been accounted as capital expenditure.   | Expenditure should be correctly entered.              | Inadvertently done. Action will be taken to avoid such in future. |
| (viii) | The sum of Rs.157,500 deposited at the Divisional Secretariat for acquisition of land for widening a road of the Sabha during the year under review had been accounted under fixed deposit. | Investments should be correctly accounted.            | Action will be taken to rectify in the 2020 accounts.             |

**(b) Unreconciled Accounts**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
A difference of Rs.24,703,217 existed between the balances of 6 items of accounts totaling Rs.34,688,242 and the balances appearing in the related subsidiary registers / registars.	Action should be taken to correctly furnish the subsidiary registers relevant to balances shown in the accounts.	Action will be taken to rectify by examining the difference.

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

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
Necessary information required for audit of 5 items of accounts aggregating Rs.128,316,827 had	Evidence to confirm balances of accounts shown in the financial	Detailed schedules will be furnished in future. the Divisions concerned had

not been furnished for audit.

statements should be furnished.

been made aware of regarding confirmation of ownership. Action will also be taken to rectify by verifying assets.

## 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 identified 04 Grama Sevaka Divisions as improved areas. However, Action had not been taken to recover rates and taxes.	Action should be taken according to the provisions in the Act.	Approval for distraining orders had been granted at the General Council meeting of 20 January 2020. Further action is being taken regarding this matter.
(b) 1988 Pradeshiya Sabha (Finance and Administration) Rules - Rule 193	A statement showing reasons for surpluses and deficits regarding items of revenue and expenditure had not been furnished with the budget.	Should act according to the rule.	Will be furnished in the ensuing year.
(c) Financial Regulations of the Democratic Socialist Republic of Srilanka			
(i) F.R 571	Action had not been taken to settle deposits of Rs.735,266 over 02 years.	Should act according to the Financial Regulations.	Action will be taken to settle in 2020.
(ii) F.R 702(3)	Copies of agreement of contracts had not	Should act according to the Financial	Action will be taken to furnish from 2020.

been furnished to the Auditor General. Regulations.

(d) Public Administration Circular

- 
- i. Paragraph 3.1 of the circular Mo 30/2016 of 29 December 2016
- Consumption of fuel by 08 vehicles of the Sabha had not been tested.
- Should act according to the provisions in the circular.
- Meters of 2 out of 8 vehicles are inoperative and bodies of 2 water bowsers only are available. As, such, consumption of fuel had not been tested. These tests had been carried out for vehicles in June 2020.
- ii. Paragraphs 4.3(a), (e) of letters No. PED/REG/2015/08 General (i) of 09 October 2015.
- Action had not been taken to recover balances of employees loans amounting to Rs.90,996 receivable for the previous year.
- Action should be taken according to the provisions in the said letter.
- Action is being taken to recover.
- (d) Other Circulars
- 
- (i) Paragraph 04 of the letter of the Director General of state Accounts No.PFD/RED/COPA/2019/01 of 30 January 2020.
- Performance report had not been prepared annually.
- Action should be taken to prepare performance report annually.
- Action will be taken to prepare performance report of 2020.
- (ii) Paragraphs 05 and 06 of the circular No. 438/030200 2010/01 of 27 December 2010 of the commissioner of Local Government.
- Agreements of 03 stalls and assessments of 08 stalls had not been updated.
- Should act according to the provisions in the circular.
- Agreements of 3 stalls had been updated. Action will be taken in future to sign agreements for the remaining stalls.

## 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.53,444,656 as compared with the revenue in excess of the recurrent expenditure of the previous year amounting to Rs.25,642,295

### 2.2 Financial Control

#### Audit Observation

The balance shown in the bank reconciliation statement had was Rs.750,000. However, there was no cash in hand on the day concerned. However, this balance continues from the commencement of the year under review and brought forward with changes. As such action had not been taken to identify the difference for preparation of bank reconciliation statement.

#### Recommendation

Reconciled balances should be identified for preparation of bank reconciliation statements.

#### Comments of the Accounting Officer

Although cash had been deposited, differences had occurred as entries had not been made in P.S.2 and P.S.10 reports. It is still unable to find out balances of Rs.306,438. Accounts will be adjusted by preparing 2017 bank reconciliations.

### 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	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	570,000	913,606	920,686	635,947	560,000	930,786	823,238	382,909
Rent	6,625,930	6,918,542	8,285,540	1,874,465	4,611,000	6,433,930	6,389,672	1,489,282
Licence Fees	3,000,000	5,599,260	5,922,152	-	3,000,000	2,536,269	2,536,269	-
Other Revenue	25,500,000	65,428,610	82,164,223	123,085,441	15,500,000	30,183,903	15,620,130	89,625,228
Total	35,126,500	78,860,018	97,292,601	125,595,853	23,671,000	40,084,888	25,369,309	91,497,419

### 2.3.2 Rates and Taxes

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
-----	-----	-----
(a) Action had not been taken to recover trade tax of Rs.466,140 from 424 trade units as at end of the year under review. In terms of section 150(4) if the Predeshiya Sabha Act. Further, those balances. Consisted of Rs.107,450 due from 46 trade units for the period to 2018.	Action should be taken to recover arrears of revenue from trade tax.	Out of the arrears of trade tax, a sum of Rs.46,850 had been could not be recovered due to the Corona virus existed in the country. Action will be taken in future to recover the said balance.
(b) The arrears of trade tax of the previous year and the year under review amounted to Rs.121,440 and Rs.358,690 respectively. As such the arrears had increased by 195 per cent.	Progress of recovery of arrears of trade tax should be enhanced.	The arrears of trade tax referred to in the audit report and the variance in the schedule given for final accounts exists. The arrears of trade tax as at 31 December 2018 and 2019 amounted to the Rs.181,890 and Rs.466,140 respectively. Out of the arrears. a sum Rs.46,850 had been recovered. The remaining balance could not be recovered due to the Corona virus in the country. Action will be taken to recover it in future.
(c) The balance of acreage tax receivables as at end of the year under review amounted to Rs. 169,807. This included balances of previous years amounting to Rs.155,534	Annual verifications should be conducted and action should be taken to recover arrears of acreage tax.	A sum of Rs.2,526 had been recovered from the arrears. The arrears during 2015 to 2018 had increased due to change of residence, sale of land into blocks etc.

### 2.3.3 Rent

-----

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The stall rent fines recoverable from 43 stalls as at end of the year under review amounted to Rs.860,829 and Rs.45,125 respectively.	Recovery of arrears of rent should be intensified.	By now, Rs.140,290 of the arrears and fines of Rs.7,423 had been received. Action will be taken to recover the arrears.
(b) The arrears of stall rent of the previous year and the year under review amounted Rs422,759 and Rs.860,829 respectively showing an increase in arrears by 104 percent.	Steps should be taken to improve progress in recovery of arrears of revenue rectifying to stall rent.	The arrears of 2018 and 2019 included Rs.370,370 receivable from 07 stalls that had been sealed on 15 February 2007. Files had been handed over on 08 March 2018 to take legal action for recovery. Out of the arrears, a sum of Rs.140,290 had been recovered. Action is being taken to recover the balance of Rs.322,485.
(c) Tax and fines due from 05 properties given on lease by the Sabha as at end of the year under review amounted to Rs.513,825 and Rs.500,072 respectively of these arrears, arrears between 02 to 05 years amounted to Rs.29,922 and Rs.608,874 respectively. Further, balances over 05 years were 60 per cent of the total arrears.	Recovery of arrears of tax and fines should be intensified.	Ranna and Henagame week and fairs had not been conducted due to the Easter attack of 2019. As a result, action had been taken to write off Rs.64,585 and Rs.34,915 respectively and this had been referred to the Governor.



### 2.3.4 Court Fines and Stamp Fees

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- The court fines and stamp fees due to the Sabha from the Chief Secretary of the Provincial Council and other authorities as at end of the year under review amounted to Rs.4,857,999 and Rs.118,095,249 respectively.	----- Action should be intensified to recover arrears of court fines and stamp fees.	----- Out of the arrears of court fines and stamp fees, Rs.12,500,000 had been recovered. Action will be taken to recover the balance.

### 3. Performance 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 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

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Although 30 bye-laws were to be enacted for main functions in terms of Section 126 of the Predeshiya Sabha Act, 29 bye-laws only had been enacted even by end of end of the year under review.	----- Action should be taken to enact bye-laws.	----- Tangalla is an urban area and levy of advertisement fees is a problem. As such, the said bye law had not been adopted.

#### (b) Non-achievement of the Expected output level

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- A sum of Rs.13,900,000 had been allocated in the budget for the year under review to execute 24 development proposals. However, 05 proposals alone had been	----- Development proposals included in the annual budget should be executed.	----- Although there were 23 proposals for projects in the budget for 2019 under capital expenditure, the work that is more

executed by spending Rs.4,300,000. Meanwhile, 06 Projects not included in the development proposals had been executed by spending Rs.5,059,759. Although a sum of Rs.21,200,000 had been allocated for 23 projects under the capital aid, only one projects had been executed by spending Rs.1,512,846

beneficial for the public of the area only had been executed due to the financial position of the Sabha and the weather condition that prevailed during the year.

**(c) Delay in fulfilling Functions**  
-----

**Audit Observation**  
-----

The construction of a security post in front of the head office proposed to be done at an estimated value of Rs.675,853 during the year under review by utilizing the funds of the Sabha had not been constructed.

**Recommendation**  
-----

Funds provided for development activities should be used without delay.

**Comments of the Accounting Officer**  
-----

The estimate for this work proposed to be fulfilled from the funds of the Sabha during the year under review had been sent to the Department of Local Government for approval. This was delayed due to various reasons. By now, the construction organization had been requested by letter to commence the work again.

**(d) Solid Waste Material Management**  
-----

**Audit Observation**  
-----

Environmental Protection licence had not been obtained for the solid waste material management programe. The Centrol Environmental Authority had laid down conditions for fulfilling this project by the letter dated 09

**Recommendation**  
-----

Solid Waste Material Management Should be done with proper authority.

**Comments of the Accounting Officer**  
-----

A portion of the conditions laid down by the control Environmental Authority for the Solid Waste Material Management programme had been attended to.

December 2015. However, the Sabha had not taken action to fulfill it.

Action will be taken to attend to the remaining portion for obtaining the Environmental Protection Licence.

**(e) Fulfilment of Sustainable Development Objectives**  
-----

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
<p>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 through the global index pertaining to the objectives and targets of the sustainable development reffered to in the 2030 agenda for sustainable development.</p>	<p>An index should be identified for measuring the objectives and targets of sustainable development of annual progress and should be measured accordingly.</p>	<p>Action will be taken to prepare a long term plan to uplift the living standards and health of the public of the authoritative area of the Sabha.</p>

**3.2 Management Inefficiencies**  
-----

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
<p>(a) Action had not been taken to fill 03 vacancies in the approved cadre and regularize 45 excesses.</p>	<p>Action should be taken to regarding excesses and fill vacancies in the cadre.</p>	<p>Action is being taken to fill 03 vacancies.</p>
<p>(b) An annual performance agreement and a human resources plan for the overall staff had not been prepared in terms of the Public Administration circular No.02/2018 of 24January 2018.</p>	<p>Action should be taken to prepare the said agreement and the plan as per provisions in the circular.</p>	<p>Action will be taken to prepare a human resources plan in the future.</p>

### 3.3 Operating Inefficiencies

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>A survey of institutions required to obtain environmental licenses had not been done during the year under review. The Sabha had not maintained updated information regarding environmental protection licences and their period of validity of previous years.</p>	<p>-----</p> <p>Periodical issue of environmental protection licences is needed.</p>	<p>-----</p> <p>Action will be taken to rectify shortcomings.</p>

### 3.4 Assets Management

-----

#### 3.4.1 Assets not Acquired

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>Action had not been taken even by end of the year under review to obtain legal ownership of 30 Land, 09 Buildings and 09 Vehicles used by the Sabha.</p>	<p>-----</p> <p>Action should be taken by the Sabha to obtain legal ownership of assets.</p>	<p>-----</p> <p>Land and Buildings used by the Sabha at present belong to the Divisional Secretariat. Requests had been made to acquire ownership. loan installment of 02 out of 09 vehicles had not been paid yet. As such, these could not be acquired. One vehicle had been acquired. Action is being taken to acquire ownership of 6 vehicles.</p>

#### 3.4.2 Idle and Underutilized Assets

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>Two stalls and two double cabs were lying idle in the premises of the libraries at Netolpitiya and Ranna since 2011 and 1996 respectively. Action had not been taken to dispose of or to repair those assets.</p>	<p>-----</p> <p>Action should be taken to utilize assets of the sabha.</p>	<p>-----</p> <p>Newspaper advertisements were made on many occasions to offer the Sabha by calling for tenders. There were no tenders. Meanwhile, action is being taken for disposal of the cab.</p>

### 3.5 Procurement

-----

#### 3.5.1 Procurement Plan

-----

##### Audit Observation

-----

A proper procurement plan had not been prepared for the year under review according to paragraphs 4.2.1 and 4.2.3 the 2006 government procurement guidelines.

##### Recommendation

-----

Action should be taken according to the procurement guidelines.

##### Comments of the Accounting Officer

-----

A procurement plan had been prepared for 2019 but the shortcomings in it will be rectified in 2020.

#### 3.5.2 Supplies and Services

-----

##### Audit Observation

-----

(a) Purchase of street lamp equipment on 08 instances for Rs.909,674 purchase of toner for Rs.197,250 on 04 instances and printing of tickets and obtaining facilities for the auditorium and obtaining facilities for video on 02 instances by spending Rs.150,000 had not been done in compliance with paragraph 1.3.2 of the Procurement guidelines.

##### Recommendation

-----

Action should be taken according for the procurement guidelines.

##### Comments of the Accounting Officer

-----

Purchase of street lamps and toner had been done within 06 months as previously decided by the finance and policy committee. The finance and policy committee had approved printing of tickets. Procurement activities had been made for obtaining auditorium and video facilities.

(ii) Quotations had been forwarded by suppliers before calling for quotations for 03 procurement activities of the Sabha. As such, there was no transparency.

Transparency is needed for procurement activities.

Action will be taken in future in this regard.