

**Beliatta 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 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 Beliatta 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 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit observation	Recommendation	Comments of the Accounting Officer
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(i) Revenue from stamp fees of the year under review had been understated in the accounts by Rs. 3,750,000	Stamp fees should be correctly entered in the accounts	Billing will be done after obtaining the schedule and action will be taken to rectify the accounts.
(ii) Stamp fees receivable on behalf of previous years had been overstated in the accounts by Rs. 1,253,805	Stamp fees should be correctly entered in the accounts	Inadvertently accounted. Will be rectified in future.
(iii) Provision for creditors had been made for 4 projects aggregating Rs. 26,475,997 for which agreements had not been entered into during the year under review.	Work creditors should be correctly entered in the accounts.	Agreements had not been made as the estimates of 2 projects had not been approved by end of the year under review. However, provision for creditors had been made. Provision for creditors had been made for further work to be fulfilled

from the funds received for relief measures to those who were affected by the floods and to develop the roads affected by the railway projects.

(b) Unreconciled Accounts

Audit observation	Recommendation	Comments of the Accounting Officer
Differences amounting Rs. 809,322 existed between the balances of 3 accounts aggregating Rs. 112,352,590 and the corresponding balances appearing in the schedules / registers.	Action should be taken to correctly furnish the subsidiary registers relating to balances shown in the accounts.	Action will be taken to examine the differences and rectify them.

(c) Lack of Necessary Documentary Evidences for Audit

Audit observation	Recommendation	Comments of the Accounting Officer
Information needed for audit of 07 items of accounts aggregating Rs. 284,754,737 had not been furnished.	Evidence to confirm balances of accounts shown in the financial statements should be furnished.	The register of fixed assets had now been updated and detailed schedules and age analyses will be furnished in future.

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) 1988 Pradeshiya Sabha (Finance and Administration) Rule 193	A statement showing reasons for surpluses and deficits relating to items of revenue and expenditure had not been furnished along with the budget.	Action should be taken according to the rules.	In future, action will be taken to prepare and furnish a statement showing reasons for surpluses and deficiencies.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i)	FR 134(3)	The internal audit report of the year under review had not been furnished for audit.	Action should be taken according to the financial regulation	Action will be taken to present in future
(ii)	FR 702(3)	Copies of agreements of contracts had not been furnished to audit.	Action should be taken according to the financial regulation	Action will be taken to present in future
(c)	Paragraph 04 of the letter of the Director General of Public Finance PED/RED/COPA/2019/01 of 30 January 2020.	The performance report had not been prepared annually.	Action should be taken to prepare the performance report annually.	Action will be taken to present in future.
(d)	Paragraph 04 of the Circular No. දපසා/පසාකො/2010/01 of 27 December 2010 of the Southern Commissioner of Local Government	Action had not been taken to recover the key money of Rs. 1,273,000 of 07 stalls of the Sabha.	Should act according to the provisions in the circular.	Out of the arrears, Rs. 475,000 had been recovered. Inspecting officers are examining regarding Rs. 438,000.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December of the year under review amounted to Rs.3,882,989 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs. 16,090,076.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue billed, Revenue collected and the Arrears of Revenue

The 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.
(i) Rates and Taxes	3,101,840	2,898,745	1,998,681	1,365,625	1,991,590	1,977,986	1,156,276	1,724,741
(ii) Rentals	11,958,458	9,600,147	10,088,708	1,955,013	9,458,458	8,512,046	8,256,408	1,610,164
(iii) Licence Fees	2,863,850	1,115,687	1,544,292	178,900	3,616,050	2,175,027	2,113,989	90,600
(iv) Other Revenue	25,333,650	17,932,391	1,461,860	68,138,049	88,890,716	71,866,661	57,241,166	34,114,397
	43,257,798	31,546,970	15,093,541	71,637,587	103,956,814	84,531,720	68,767,839	37,539,902

2.2.2 Rates and Taxes

Audit observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken in terms of Section 158(1) of the Pradeshiya Sabha Act to recover rates and taxes of Rs. 1,344,525 receivable as at 'end' of the year under review. Further, the balances of 2 to 5 years and the balances over 5 years included in the balances receivable amounted to Rs. 409,137 and Rs. 286,930 respectively.	Action should be taken to recover arrears of rates and taxes.	Of the arrears, a sum of Rs. 144,644 had been recovered. Action will be taken in future to recover the amount by issuing distraining orders.

2.2.3 Rent

Audit observation	Recommendation	Comments of the Accounting Officer
(a) Out of the rent of stalls of Rs. 582,665 receivable as at end of the year under review, balances ranging from 2 to 5 years amounted to Rs. 202,710	Action should be taken to recover the arrears of revenue due from stalls.	Out of the arrears of stall rent, a sum of Rs. 392,072 had been received. It had been decided to obtain permission from the Governor to write off Rs. 156,160.
(b) Action had not been taken to recover the fair lease rent and the vehicle hire amounting to Rs.255,459 and	Action should be taken to recover the arrears of revenue	Out of the arrears of vehicle rent, Rs.70, 250 had been received. Action will be taken to inform

Rs. 1,116,889 respectively receivable as at end of the year under review.

from rent as per Act.

the Sabha so as to take a decision on arrears outstanding for many years. Action will be taken in future with regard to fair lease rent.

2.2.4 Licence Fees

Audit observation

Action had not been taken to recover the trade tax and the licence fees of Rs. 170,300 and Rs. 2,500 respectively receivable as at end of the year under review. Further, balances of Rs. 51,500 ranging from 2 to 3 years existed in the balances of trade tax.

Recommendation

Action should be taken to recover arrears of revenue from licence fees.

Comments of the Accounting Officer

Out of the arrears of trade tax, Rs. 78,000 had been recovered. Necessary action had been taken to file cases regarding the balance of arrears.

2.2.5 Courts Fines and Stamp Fees

Audit observation

- (a) The court fines and the stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at end of the year under review amounted to Rs. 766,291 and Rs. 60,751,897 respectively.

Recommendation

Action should be taken to intensify recovery of arrears of courts fines and stamp fees.

Comments of the Accounting Officer

Out of the arrears of stamp fees, Rs. 7,800,000 had been recovered. Requests had been made to the Chief Secretary to obtain the remaining amount and the court fines.

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) **Bye-Laws**

Audit Observation

Although bye-laws had to be prepared for 30 main matters under Section 126 of the Pradeshiya Sabha Act, 29 bye –laws only had been enacted even by end of the year under review.

Recommendation

Action should be taken to enact bye-laws

Comments of the Accounting Officer

It is informed that the Sabha had enacted bye-laws for 29 matters.

(b) **Functions Abandoned**

Audit Observation

A sum of Rs. 202,400 had been spent to develop the waste water purification system of the compost project commenced during the previous year. However, the expected results had not been achieved. Further, the iron rod used for the construction concerned was not in accordance with the required standard. As such, the project could not be executed and had been abandoned.

Recommendation

Project should commence after feasibility studies

Comments of the Accounting Officer

Accepted.

(c) **Delay in Fulfilling Functions**

Audit Observation

Seventeen development proposals valued at Rs. 8,500,000 had been included in the budget of the year under review. These had not been implemented.

Recommendation

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

Comments of the Accounting Officer

Certain roads had been developed by the Divisional Secretariat. Only one proposal had been implemented considering the financial position of the Sabha.

(d) Sustainable Development Target

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i) The Sabha had not prepared long term plans to uplift the living standards and health of the public of the authoritative area of the Sabha through the global index relating to sustainable development, as per 2030 Agenda relating to sustainable development.	An index to measure sustainable development objectives and targets should be identified and the progress in achievement of targets should be annually measured accordingly.	Suitable development plan is already being prepared. The preparation had been delayed due to lack of training to officers for its preparation

3.2 Management Inefficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i) Action had not been taken to obtain revenue licences for 6 vehicles of the Sabha during the year under review.	Action should be taken to obtain revenue licences for vehicles annually.	Leasing facilities are available for one vehicle. Action will be taken for disposal of one vehicle and to repair and acquire 2 vehicles. Action will be taken to acquire the remaining vehicles and to obtain revenue licences subsequently.
(b) Four management information systems valued at Rs. 720,000 had been purchased without properly identifying the need for purchases and without feasibility studies. These remained inoperative even by end of the year under review.	Action should be taken to utilize the management information system.	These management information systems had been purchased with the approval of the Commissioner of Local Government, Hambantota on the basis of purchases made by the Suriyawewa Pradeshiya Sabha in order to uplift the performance of the institution.
(c) The entire data and information of the institution had been stored in the server computer of the supplier facing the risk of safety, confidentiality and correctness of data and information of the Sabha.	Action should be taken to safeguard the information of the Sabha.	Action will be taken in future by consulting with the commissioner of Local Government in this regard.

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| (d) | Out of the 600 flagstaffs received from the Ministry of Local Government and Provincial Councils in 2014, 279 flagstaffs had been issued to outsiders. Action had not been taken to receive them back. | Action should be taken to safeguard assets of the Sabha. | These flagstaffs had been issued to viharas, certain schools and certain public places in 2014. Action will be taken to rectify the register of stores in future. |
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3.3. Human Resources Management

(a) Vacancies and Excesses in the Cadre

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) Action had not been taken to regularize 04 vacancies and 22 excesses in the approved and actual cadre of the Pradeshiya Sabha.	Action should be taken to regularize excesses and fill vacancies in post.	Recruitment of minor staff had been temporarily suspended according to the Circular No. DHS/Cir/2020 of the Secretary to the Treasury and the Secretary to the Ministry of Financial Policy Development. Action will be taken to make recruitments subsequently. Meanwhile, it has been notified to make recruitments for posts which should be filled by Secretary of the Chief Ministry of the Provincial Council. The excess officer had not been transferred.
(ii) The annual performance agreements and the human resources plan for the overall staff had not been prepared for the year under review in terms of the Public Administration circular No. 02/2018 of 24 January 2018.	Action should be taken to prepare the relevant agreements and plan according to the provisions in the circular.	It is informed that the human resources development plan had been approved at the general council meeting of 20 December 2019.

(b) Employees' Loans

Audit Observation

Action had not been taken to recover Rs. 781,689 receivable from 08 officers who had gone on transfer by end of the year under review.

Recommendation

Action should be taken to recover employees' loans

Comments of the Accounting Officer

Wish to inform that by now monthly recoveries are being made from the persons concerned.

3.4 Assets Management

3.4.1 Assets not Acquired

Audit Observation

The ownership of 13 vehicles of the Sabha totally valued at Rs. 37,078994 as at and of the year under review had not been acquired.

Recommendation

Action should be taken by the Sabha to acquire legal ownership of assets.

Comments of the Accounting Officer

Leasing facilities are available for one vehicle. One vehicle will be disposed of. 02 vehicles will be acquired after repairs. Action will be taken to obtain licences for other vehicles after acquirement.

3.4.2 Idle / Under utilized Assets

Audit Observation

Two motors of the block stone manufacturing work shop and a coir industry of the Pradeshiya Sabha, a barrel of 1000 litres and a block stone manufacturing machine remained idle for many years.

Recommendation

Action should be taken to utilize assets of the Sabha.

Comments of the Accounting Officer

The handles of 2 motors are at the Puwakdandawa stores as the manufacture of coir had been stopped. The tests carried out for block stones showed unsatisfactory reports and as such the project had not been executed

3.4.3 Lack of Maintenance and Repairs

Audit Observation

Three vehicles totally valued a Rs. 4,455,200 remained without being used for many years. Action had not been taken for their repairs / disposals.

Recommendation

Action should be taken to repair or to dispose of the vehicles set aside without being used.

Comments of the Accounting Officer

Action is being taken to vest the cab to the institution owning the registration as it is not beneficial to repair it. The other cab will be repaired. It would be examined whether the remaining cab could be repaired and action will be taken accordingly in the future.