

Tissamaharama 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 24 June 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 July 2020 and 20 July 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 Tissamaharama 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 Comments on Financial Statements

1.3.1. Presentation of Financial Statements

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
The financial statements of the year under review should be presented to the Auditor General before 31 March 2020 in terms of 1988 Pradeshiya Sabha (Finance and Administration) Rule 168. However, this had been presented for audit on 24 June 2020.	Should act according to the rules.	Presentation of financial statements on 29 February 2020 was due to the officer dealing with the subject was a new recruit. Such shortcomings will be avoided in future.

1.4 Basis for qualified opinion

(a) Accounting Deficiencies

	<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(i)	Nine journal entries had been made during the year under review according to which there were under statement of Rs.3,329,408 and overstatement of Rs.16,760 in the financial statements as per accounts in the general ledger.	The total of ledger accounts should be correctly shown in the financial statements.	The deficiencies will be rectified while preparing accounts for the ensuing year.
(ii)	The revenue from interest on Fixed deposits for the year under review had been overstated in the accounts by Rs.225,054.	Interest on fixed deposits should be correctly brought to account.	The interest on deposits as at 31 December 2019 amounted Rs.873,328. The interest on savings account amounting to

Rs.224,784 had been added to the balance. Action will be taken to rectify it in future.

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| (iii) | The expenditure incurred on 02 projects executed during the year under review amounting to Rs.1,947,454 had not been capitalized. | Fixed assets should be correctly brought to account. | Action will be taken to rectify while preparing the accounts for the ensuing year. |
| (iv) | Adjustments had not been made for the over provision of Rs.630,972 relating to work creditors of the previous year. | The balance of creditors should be correctly brought to account. | Action will be taken to rectify while preparing the accounts for the ensuing year |

(b) **Unreconciled Accounts**
Audit Observation

Difference amounting of Rs.314,942,883 existed between the balances of accounts aggregating Rs.247,894,74 and the corresponding balances appearing in the related subsidiary registers/ schedules.

Recommendation

Action should be taken to correctly furnish the subsidiary registers pertaining to the balances in the accounts.

Comments of the Accounting Officer

Action will be taken to identify the differences in the balances between the financial statements and the schedules and to rectify It in the future accounts.

(c) **Suspense Account**
Audit Observation

The debit balance of Rs.192.872 In the Suspense account which continues to be brought forward with changes since 2017 had not been settled. Further, the correct total of the Suspense Account as per ledger amounting to Rs.162,072 had been shown as Rs.192,871 in the financial statements resulting in a difference of Rs.30,800.

Recommendation

Action should be intensified to settle the Suspense Account shown in the financial statements.

Comments of the Accounting Officer

Out of the balances of Rs.303,668 as at 31 December 2018, a sum of Rs.110,795 had been rectified during the year under review. Action will be taken to rectify the balance of Rs.192,877 after identification.

(d) **Lack of necessary Documentary Evidence for Audit**

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
Information needed for audit of 30 items of accounts aggregating Rs.73,817,463 had not been furnished for audit.	Evidence to confirm the balances of accounts shown in the financial statements should be furnished.	Descriptive schedule will be furnished in future. Action is being taken to confirm ownership by alerting the division concerned. Meanwhile, action is being taken to verify assets for rectification. Action will be taken in future to rectify adjustments made in the accounts.

1.5 **Non-Compliance**

1.5.1 **Non-compliance with Laws, Rules, Regulations and Management Decisions**

	<u>Reference to Laws, Rules, Regulations And Management Decisions</u>	<u>Non-compliance</u>	<u>Recommendations</u>	<u>Comments of the Accounting Officer</u>
(a)	1988 Pradeshiya Sabha (Financial and <u>Administration Rules</u>			
(1)	Rule 33	A list of defaulters of rates had not been prepared.	Action should be taken in terms of the rule.	Red notices had been issued to defaulters of rates. Details of same are furnished with the reply.
(11)	Rule 193	A statement showing reasons for surpluses and deficits by reconciling the revenue and expenditure had not been furnished along with the budget.	Action should be taken in terms of the rule.	Action will be taken to furnish in the ensuing year.
(b)	Financial Regulations of The Democratic Socialist Republic of Sri Lanka			
(1)	F.R 134(3)	The internal audit report of the year under review had not been furnished to audit.	Action should be taken according to the financial regulation.	Internal Audit report for 3 quarters with replies are sent herewith the reply. Action will be taken to avoid Such shortcomings in future

(11) F.R 371(5)	Advances should be settled immediately after fulfillment of the work concerned. However, such action had not been taken regarding advances of Rs.168,639 granted during the previous years.	Action should be taken in terms of the financial regulation	Out of the balance of advance of Rs.36,000 remaining unpaid, Rs.5,000 per month is being paid by the officer concerned. Letters had been issued to officers who had been granted advances for settlement of advances. A detailed schedule will be furnished regarding the balance of unsettled advance of Rs.82,771.
(111) F.R.396	Action had not been taken regarding 08 lapsed cheques valued at Rs.15,820,	Action should be taken in terms of the financial regulation.	Letters had been sent for revalidation of cheque amounting to Rs.12,170. The cheque for Rs.3,650 will be cancelled and credited to revenue.
(iv) F.R 571	Action had not been taken to settle deposits valued at Rs.298,111 over 02 years.	Action should be taken in terms of the financial regulation.	Retention money of 10 per cent amounting to Rs.17,818 will be credited to the fund of the Sabha and notified. Action will be taken to release one deposit, Farmers' organizations had been requested by letters to attend to shortcomings relating roads and the amount will be credited to revenue of the Sabha's Fund if rectifications are not made.
(v) F.R.702(3)	Copies of agreements of contracts had not been furnished to the Auditor General.	Action should be taken in terms of the financial regulation.	Action will be taken in future to furnish copies of agreements of contracts signed for audit.
(vi) F.RR 1645 (b),(c) and 1646	Daily running charts and monthly performance Summaries of 17 vehicles and machinery of the Sabha had not been furnished to audit.	Action should be taken in terms of the financial regulation.	Problems were due to non rendition of running charts by officer in charge of the subject. The running charts of those years had been subsequently furnished to audit.
(c)	Paragraph 04 of the Letter No.PFD/RED/COPA/2019/01 of 30 January 2020 of the Director	The annual performance report had not been prepared and furnished as per specimen.	Action should be taken according to the letter concerned. Lack of knowledge to prepare the performance report. Requests had been made to render training or instructions in this regard. The said report will be furnished

<p>(d) General of Public Finance Paragraph 05 of the Circular No. 433/2010/01 of 27 December 2010 of the Commissioner of Local Government</p>	<p>Agreements of 23 stalls of the Sabha had not been updated.</p>	<p>Action should be taken in terms of the provisions in the circular.</p>	<p>after obtaining the knowledge and training. Out of the 468 stalls of the Sabha, agreements of 280 stalls of the Sabha had been updated. Action will be taken to update the agreements of 90 per cent of the total stalls by end of the year.</p>
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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 under review amounted to Rs.9,710,039 as compared with the revenue in excess of the recurrent expenditure of the previous year amounting to Rs.20,997,078.

2.2 **Financial Control**

Audit Observation

The balance of Accumulated Fund of the Sabha as at end of the year under review showed a negative balance of Rs.11,578,806.

Recommendation

Negative balance should not occur in the balance of accumulated fund.

Comments of the Accounting Officer

The balance of the accumulated fund of the year under review was less than the balance as at end of the previous year. Negative balance had occurred as a result of making adjustments for prior years.

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
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and taxes	2,922,970	3,321,651	2,988,195	3,702,655	2,872,000	3,021,970	2,815,626	3,223,896
Rent	15,553,310	14,787,340	15,673,894	3,360,498	10,351,300	14,715,167	12,665,597	3,372,682
Licences								
Fees	13,570,500	10,676,563	11,174,593	782,341	13,150,000	16,708,495	15,520,979	1,291,016
Other Revenue	25,824,600	29,500,912	28,202,174	31,301,055	30,163,900	26,802,429	23,456,152	22,153,406
Total	57,871,380	58,286,466	58,038,856	39,146,549	56,537,200	61,246,062	54,458,354	30,041,000

2.3.3 Rates and Taxes

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(a) Action had not been taken in terms Section 158(1)(a) of the Pradeshiya Sabha Act to recover the rates and taxes of Rs.3,056,795 receivable as at end of the year under review.	Action should be taken to recover rates and taxes.	A sum of Rs.204,022 had been recovered out of the rates and taxes receivable. Action is being intensified to recover the balance of rates.
(b) The developed areas of the Authoritative are of the Sabha should be identified periodically and rates recovered accordingly in terms of Section 134 of the Pradeshiya Sabha Act No.15 of 1987. However, such action had not been taken. The rates recovered for the developed areas identified in 1976 had only been adopted for the year under review. Newly developed areas had not been Identified during 44 years.	Action should be taken according to the Act.	Six developed areas had been identified. Letters had been sent to the Divisional Secretariat and the District Surveyor's office to prepare maps for those areas. Further action will be taken and action had been taken to develop public health facilities and common amenities in those areas.
(c) Rates of properties should be revised every 05 years in terms of Section 20 of the Tax and Valuation Act No. 30 of 1946.	Action should be taken in terms of the Act.	Requests had been made for valuation report since 2012. However, valuation report had not been furnished yet.

However, the tax recovered during the year under review had also been based on the valuation made in 2007.

2.2.3 **Rent**

Audit Observation

Action had not been taken to recover the stall rent of Rs.3,277,340 receivable as at end of the year under review. Further, the period of arrears of stall rent ranged from 02 to 40 months.

Recommendation

Action should be taken to recover arrears of revenue from rent .

Comments of the Accounting Officer

Audit paragraph accepted. The overall recovery of stall rent during the year under review amounted to Rs.7,244,836.

2.3.4 **Licence Fees**

Audit Observation

Action had not been taken in terms of Section 159(1) of the Pradeshiya Sabha Act to recover the licence fees and trade tax of Rs.185,326 and Rs.349,920 respectively receivable as at end of the year under review.

Recommendation

Action should be taken to recover arrears of licence fees and trade tax,

Comments of the Accounting Officer

Trade licence and trade tax of Rs.131,576 and Rs.77,040 respectively receivable had been recovered. The recovery of balance of arrears had been assigned to the revenue inspector and a letter had been issued accordingly.

2.3.5 **Court Fines and Stamp Fees**

Audit Observation

The Court fines and 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.4,613,127 and Rs.25,145,775 respectively.

Recommendation

Action should be taken to recover arrears of court fines and stamp fees from the authorities concerned.

Comments of the Accounting Officer

Arrears of stamp fees amounting to Rs.7,700,000 had already been recovered. Action will be taken to obtain the remaining stamp fees and arrears of 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 highways, healthy environment of the public, facilities, welfare etc.

(a) **Bye-Laws**

Audit Observation

Although 30 bye-laws were required to be enacted for main functions in terms of Section 126 of the Pradeshiyan Sabha Act, 29 bye-law alone 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

Twenty nine bye-laws had been enacted.

(b)

Work Abandoned

Audit Observation

Although a sum of Rs.563,997 had been spent on construction of the common amenities centre for Tissamaharama Youth Activates commenced in 2008, the project had been abandoned halfway without achieving the expected results.

Recommendation

Development activities year under review should be executed during the year.

Comments of the Accounting Officer

The construction activities could not be started again due to the financial crisis of the Sabha. However, work will commence so as to use it for public usage after obtaining the provision.

(c)

Delay in Fulfillment of Functions

Audit Observation

Three development proposals totally valued at Rs.3,100,000 included in the budget of the year under review had not been executed.

Recommendation

Money allocated for development should be utilized for development activities without delay.

Comments of the Accounting Officer

Although provision had been made in the budget, the work could have been commenced and ended provided provision was available in the Sabha. The revenue received by the Sabha during the year under review was at a low level due to the unsettled conditions in the country. As a result, the project could not be completed.

(d)

Fulfillment of the objective of Sustainable Development

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

Recommendation

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

Comments of the Accounting Officer

A long term plan for upliftment of the living conditions and health of the public of the authoritative area will be prepared by obtaining the

global index pertaining to the objectives and targets of the sustainable development referred to in the 2030 agenda for sustainable development. be measured accordingly.

knowledge relating to the global index pertaining to the objectives and targets of sustainable development.

3.2 **Management Inefficiencies**

Audit Observation

The report of the committee appointed for identification of unauthorized structures constructed in the authoritative area of the Sabha had not been subjected to supervision.

Recommendation

A survey of unauthorized construction should be carried out.

Comments of the Accounting Officer

An inspection of unauthorized constructions had been carried out in association with the Urban Development Authority and the technical service officers. instructions will be given to carry out constructions according to the provision in the Act. Failure to adhere to Instructions would result in stoppage of constructions. The officers had been requested to identify and to avoid any unauthorized constructions and furnish reports.

3.3 **Human Resources Management**

3.3.1 **Vacancies and Excesses in the Cadre**

Audit Observation

- (a) Action had not been taken to fill 24 vacancies in the approved cadre and to regularize 44 excesses.

Recommendation

- Action should be taken to fill vacancies and regularize excesses.

Comments of the Accounting Officer

- Although requests had been made to fill vacancies in the secondary level, such requests had not been acceded to. A lady apprentice trainee alone had been appointed. Approval had been obtained to grant permanency for 21 posts as per circular No.25/2014.

- (b) Annual performance agreements and human resources plan had not been prepared for the overall staff in terms of Public Administration circular No. 02/2018 of 24 January 2018.

- Action should be taken according to the circular.

- Human resources plan had not been prepared due to lack of knowledge. The officer in charge of the subject had been entrusted with the work of signing of annual performance agreements for the overall staff.

3.4	<u>Operating Inefficiencies</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
	<u>Audit Observation</u>		
	A survey to identify trade centres within the authoritative area of the Sabha for the year under review had not been carried out.	Periodical survey should be carried out.	Action will be taken to carry out survey of trade centres in future.
3.5	<u>Assets Management</u>		
3.5.1	<u>Unattended maintenance and repairs</u>		
	<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
	Action had not been taken to repair and make use of/repair 09 vehicles set aside without usage during the year under review and the previous years.	Action should be taken to repair/ dispose of assets.	There is no provision to repair the said vehicles. Action will be taken for disposal In future by obtaining provision or by obtaining necessary recommendations.
3.5.2	<u>Assets not acquired</u>		
	<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
	The registered ownership of 165 lands and 09 vehicles used by the Sabha had not been acquire.	Action should be taken so as the Sabha could acquire legal ownership of assets.	The Divisional Secretary of Tissamaharama had handed over 03 land in writing and the remaining 162 land had been referred to the Chief Ministry, Southern Province for regular acquirement of ownership. Action is being taken to acquire ownership of 02 land and 06 vehicles used by the Sabha for a long time. Information to acquire 03 vehicles are not in possession.
3.5.3	<u>Idle/Under utilized Assets</u>		
	<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
	(a) Six land and buildings of the Sabha valued at Rs.3,467,500 remained Idle.	Assets of the Sabha should be used beneficially.	Verification of assets is being done now. Accordingly, action will be taken to beneficially utilize the land and buildings of the Sabha.

(b)	Two boats with engines, 11 sewing machines, a Generator, a machine Producing block stones, a stone crusher and 02 ball wheel machines with a capacity of 50 kilograms were remaining idle for a long time. Action had not been taken either for their disposal or to repair and make use of them.	The assets of the Sabha should be beneficially used.	Action will be taken to call for tenders so that the Sabha could earn revenue from the block stone producing machines and to grant 02 ball wheel machine to low income earning self employed families by entering into an agreement. Meanwhile, 02 boats with engines will be given on rent to a fishery association and 11 sewing machines to self employed persons on will be handed over on recommendations of the Divisional Secretary.
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3.6 **Procurement**

3.6.1 **Procurement Plan**

Audit Observation

A proper procurement plan had not been prepared for the year under review in terms of 2006 Government Procurement Guidelines.

Recommendation

Action should be taken in terms of procurement guidelines.

Comments of the Accounting Officer

A procurement plan had not been prepared and executed for the year 2019. A procurement plan for 2020 will be prepared and furnished after obtaining the approval.