

Suriyawewa 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 20 June 2020 and 17 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 Suriyawewa 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. **Basis for qualified opinion**

(a) **Accounting Deficiencies**

	<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(1)	Action had not been taken to rectify the balance of Suspense Account of Rs.589,343 which had been adjusted in the Accumulated Fund in 2017 by Journal Entry No.6.	Accounts should be rectified by making necessary adjustments.	Attempts will be made to rectify in future.
(11)	The expenditure of Rs.82,260 Incurred on developing properties of the Sabha during the year under review had not been brought to account.	Development expenditure of properties should be correctly brought to account.	Action will be taken to rectify in future.

(b) **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 04 items of accounts totaling Rs.403,818,931 had not been furnished.	Evidence to confirm the balances of accounts shown in the financial statements should be furnished.	Out of 17 land, the ownership of 07 lands belong to the Divisional Secretary and the Mahaweli Authority. Schedules will be furnished with the reply. Action will be taken to enter the approved letter in the register of work.

1.4 **Non-Compliance**

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

Reference to Laws, Rules, Regulations And Management Decisions	<u>Non-compliance</u>	<u>Recommendation</u>	Comments of the Accounting Officer
(a) 1988 Prsdeshiya 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 Rule.	Will be furnished with the accounts prepared for 2020.
(b) Financial Regulation 571(3) of the Democratic Socialist Republic of Sri Lanka.	Action had not been taken to settle the lapsed deposit of Rs,52,065.	Action should be taken according to the financial Regulation.	Action will be taken to credit to revenue of the Sabha.
(c) Paragraph 04 of the Circular No.DPP/PPC 2010/01 of 27 December 2010 of the Commissioner of Local Government	Key money of Rs.412,592 had not been recovered from 11 stalls of the Sabha and the arrears prior to 2011 amounted to Rs.292,592.	Action should be taken according to the provisions in the circular.	The Commissioner of Local Government had been informed to write off Rs.270,992 of the arrears as it cannot be recovered. Action will be taken to recover the balance.

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.6,767,505 as compared with the revenue in excess of the recurrent expenditure of the previous year amounting to Rs.8,762,304.

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	1,053,000	1,014,470	992,150	22,320	831,000	911,710	914,460	15,350
Rent	21,931,200	20,624,811	20,144,852	1,688,640	19,323,100	17,077,595	17,008,480	981,065
Licences Fees	1,251,100	1,589,404	1,485,104	16,500	1,229,100	1,283,599	1,309,049	1,750
Other Revenue	7,957,000	5,896,693	2,850,847	4,284,578	2,037,000	6,727,844	4,531,201	7,873,297
Total	31,139,300	29,125,378	25,472,953	6,012,038	23,420,200	26,000,748	23,763,190	8,871,462

2.2.2 **Rates and Taxes**

Audit Observation

Recommendation

Comments of the Accounting Officer

- (a) The Suriyawewa Pradeshiya Sabha had been established in 2006 and it had identified 02 wards as developed areas in 2017. However, action had not been taken to recover rates and taxes as per Section 134(1) of the Pradeshiya Sabha Act.
- (b) Action had not been taken according to Section 159(1) of the Pradeshiya Sabha Act to recover the trade tax of Rs.22,320 receivable as at end of the year under review.

Rates and taxes of developed areas should be assessed and recovered.

Rates could not be recovered as the Department of Valuation had not carried out assessment yet.

Action should be taken to recover arrears of revenue.

Out of the arrears, Rs.360 had been recovered in March 2020. Case had been filed for the balance.

2.2.3 **Rent**

Audit Observation

Recommendation

Comments of the Accounting Officer

- (a) Action had not been taken to recover the stall rent of Rs,911,825 of 34 stalls as at end of the year under review. The period of arrears was 86 months.
- (b) Receivables of the Suriyawewa week end fair and the stock fair as at end of the year under review

Action should be taken to recover arrears of stall rent.

Out of the arrears, Rs,45,000 had been recovered, Legal action had been taken for Rs.552,910 and Rs.228,550 had been referred to the Commissioner of Local Government for write off. Action will be taken to recover the balance.

Action should be taken to recover the arrears.

Out of the arrears, Rs.417,849 had been referred to the Commissioner of Local

amounted to Rs.417,849. Meanwhile the tax installment due from the Suriyawewa week end fair car park amounted to Rs.23,415. Action had not been taken to recover these.

Government for write off. The balance of Rs.23,415 had been referred to the Conciliation Board for recovery.

(c) The advertisement board fees receivable as at end of the year under review amounted to Rs.87,800. Action had not been taken to recover this.

Action should be taken to recover arrears of advertisement board fees,

Out of the arrears, Rs.20,800 had been recovered and case had been filed for recovery of the balance of Rs,67,000.

2.2.4 **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.3,799,091 and Rs.90,496 respectively. Court fines of Rs.745,829 due related to the previous year

Recommendation

Action should intensified for recovery of arrears of court fines and stamp fees.

Comments of the Accounting Officer

Out of the court fines receivable Rs.1,120,000 had been recovered. The entire arrears of stamp fees had been recovered.

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 28 matters only even by end of the year under review

Recommendation

Action should be taken to enact bye-laws.

Comments of the Accounting Officer

Twenty nine matters of the accepted bye laws prepared by the Minister of Local Government and gazetted on 23 August 1988 had been adopted. Out of the 29 matters of bye-laws prepared by the Minister in charge of the subject Southern Provincial Council, 27 had been adopted in 2017. Already 56 matters had been adopted by now.

(b) **Solid Waste Material Management**

Audit Observation

Daily collection of garbage of the Sabha had been disposed of in an irregular manner in a land acquired by the Sabha without being segregated. The compost production programme planned to be commenced many years ago had not been commenced. Although the Central Environmental Authority had stipulated 06 conditions, that too had not been executed.

Recommendation

Solid waste material should be managed properly. Conditions included in the environmental recommendations should be executed.

Comments of the Accounting Officer

Although it had been informed in 2014 that provision will be made under the Pilsaru Project of the Central Environmental Authority, it had not been obtained yet. Encroachers had entered the land given by the Mahaweli Authority. As such, electric fence could not be constructed. The project continues with the funds of the Sabha and external aid.

(c) **Execution of Development Proposals**

Audit Observation

Fortyfive construction work projects amounting to Rs.4,444,263 for which provision had been made in the budget for the year under review had not been executed. 16 projects amounting to Rs.1,484,300 for which provision had not been made in the budget had been executed.

Recommendation

The budgeted development proposals should be executed during the year.

Comments of the Accounting Officer

Action will be taken to include complete the work during the year itself.

(d) **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 objectives and targets of the sustainable development referred to in the 2030 agenda for sustainable development.

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

Plans had been prepared for the year 2020.

3.2	<u>Management Inefficiencies</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
	<u>Audit Observation</u>		
	Action had not been taken to obtain licence for the motor cycle of the Sabha during the past 05 years.	Action should be taken to obtain licence annually.	The ownership lies with the Ministry of Local Government. As such, revenue licence could not be obtained.
3.3	<u>Human Resources Management</u>		
(a)	<u>Vacancies in the Cadre</u>		
	<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(1)	Action had not been taken to fill 06 vacancies and regularize 12 excesses in the approved cadre.	Action should be taken to regularize the excess cadre and to fill the vacancies.	Two vacancies had been filled. Request had been made to the Commissioner of local Government for filling other vacancies.
(11)	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,	Performance agreements will be signed for 2020.
(b)	<u>Employees' Loans</u>		
	<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(1)	Action had not been taken to recover/settle employees loans aggregating Rs.50,365 granted and recovered in excess to three officers during the previous years.	Action should be taken to recover/settle employees' loans.	Out of the employees' loans a sum of Rs,9,464 had been recovered and settled. The balance of Rs.42,673 will be recovered in future.
(11)	Thirty two installments of loans amounting to Rs.66,323 had been recovered from an officer who had come on change of station transfer. This had been kept in the General Deposit Account.	Employees loans recovered should be correctly brought to account.	The installments of loans recovered had not been remitted to the Zonal Education Office on an instruction of the Secretary, Southern Province by his letter dated 28 April 2017.

3.4 Operating Inefficiencies

	<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(a)	Conformity certificate had not only been issued to 04 out of 168 building plans approved by the Pradeshiya Sabha during the previous year and the year under review.	Should be instigated to obtain conformity certificates for the approved building plans.	Valuation Officers were made aware of the inspection of construction of buildings. Owners of properties will be informed to obtain conformity certificates and to request for extension of time.
(b)	The stall rent of 09 stalls at the Suriyawewa bus stand had not been periodically assessed in terms of the circular No' DPP 01/2010/PPC of December 2010 of the Southern Commissioner of Local Government.	Action should be taken according to the provisions in the circular.	Nine stalls will be acquired and assessment will be made accordingly.
(c)	The Sabha had been deprived of a revenue of Rs.46.750 during the year under review as a result of not recovering assessment rent in terms of Section 142(5) of the Pradeshiya Sabha Act.	Action should be taken to recover assessment rent as per Act.	Action will be taken to recover stall rent as per assessment.
(d)	Trade licence had been issued to 27 business establishments which were not possession of the reports on environmental impact assessment which should be obtained as per regulations in the National Environmetal Act No.49 of 1980 published in the Gazette Extra Ordinary of 24 June 1998.	Action should be taken according to the provisions in the Act.	Attempts are made to instigate to obtain licences for those business establishments.
(e)	Action had not been taken to obtain Water charges amounting to Rs.75,110,705 recoverable from 75 water consumers as at end of the year under review. The opening and closing balances had not been entered in the register of water charges.	Action should be taken to recover arrears of water charges and to correctly maintain the said register.	Out of the arrears of Rs.12,720 had been recovered. Action will be taken to recover the balance

3.5 **Assets Management**

3.5.1 **Assets not entered in the Register**

Audit Observation

Six lands used by the Sabha had not been entered in the register as at end of the year under review.

Recommendation

The assets of the Sabha should be entered in the register.

Comments of the Accounting Officer

These lands belong to the Divisional Secretary and the Mahaweli Authority. Will be brought to account after acquisition.

3.5.2 **Assets not acquired**

Audit Observation

- (a) Action had not been taken to acquire legal ownership of 15 Land, 22 sports ground 32 crematoriums, 81 community centres and 36 other land allocated for other common activities within the authoritative area of the Sabha. These are valued at Rs.21,679,260 and belong to the Sabha.

Recommendation

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

Comments of the Accounting Officer

Necessary action will be taken to acquire by obtaining provision and carrying out surveys.

- (b) Action had not been taken to acquire ownership of 03 vehicles of the Sabha valued at Rs.1,125,000.

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

Details are not available for registration of the tractor and the motor bicycle. Hand tractor belongs to the Ministry of Rural Development. Action will be taken to acquire in future.

3.5.3 **Idle and Under utilized Assets**

Audit Observation

Action had been taken to repair or to dispose of the cab that has been set aside without being used .

Recommendation

Suitable
Action should be taken

Comments of the Accounting Officer

Action will be taken for disposal in future.