

**Hakmana Pradeshiya Sabha
Matara District.**

1. Financial statements

1.1 Presentation of financial statements.

Financial statements of 2019 had been presented for the audit on 06 March 2020 and Auditor General's summary report of such financial statements and detailed management audit report have been sent to the Chairman on 08 June 2020 and 15 June 2020 respectively.

1.2 Qualified opinion

It is my opinion that financial status of Pradeshiya Sabha of Hakmana as at 31 December 2019 and financial performance thereof for the year ended by the same day are in compliance with generally accepted accounting principles and shown true and fair status by financial statements except the impact caused by matters described in the part of basis for the qualified opinion in this report.

1.3 Basis for the qualified opinion

(a) Accounting deficiencies

	Audit observation	Recommendation	Comments by Accounting Officer
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(i)	Due sum of Rs. 2,167,531 from 07 industries pertaining to previous years had not been stated under industries debtors.	It should be accounted accurately.	Corrective actions will be taken in future.
(ii)	Over allocations of Rs.65,611 had been made for industries creditors due at the end of the year under review.	It should be accounted accurately.	Corrective actions will be taken in future.
(iii)	Allocations had been made in accounts for Rs.133,765 for misc. expenditure due at the end of the year under review.	It should be accounted accurately.	Corrective actions will be taken.

(b) Non - Reconciled accounts

Audit observation

Recommendation

Comments by
Accounting
Officer

Difference of total was Rs.20,384,788 between balance of 19 account subjects of total Rs.39,402,110 which are included in financial statements and related documents and schedules thereto.

Actions should be taken to compare differences of accounts concerned and correct accounts.

Corrective actions will be taken in future.

(c) Suspense Account

Audit observation

Recommendation

Comments by
Accounting
Officer

Measures had not been taken to identify and adjust debit balance of Rs.873,211 of suspense account brought forward from a few years.

Should look into the matter, make needy adjustments in account and settle suspense account.

Corrective actions will be taken in future.

(d) Unavailability of necessary documentary evidences for the audit

Audit observation

Recommendation

Comments by
Accounting Officer

In the audit it was unable to satisfactorily observe 22 account subjects of which Total Rs. 20,811,355 since needy information was not presented.

Evidences by which account balances stated in financial statements are proved should be presented.

These rates are unchanged from a period of 07 years and actions will be taken to settle as possible by finding documents used in future.

1.4 Non - compliance

1.4.1 Non - compliance with rules, regulations and management decisions

Occasions of Non - compliance to rules, regulations and management decisions are as follows.

Reference to rules, regulations and management decisions	Non compliance	Recommendation	Comments by Accounting Officer
(a) Pradeshiya Sabha Rules of 1988 (Financial & Admin.)			
(i) Rule 143	Refundable deposit ledger had not been monthly collected and total of balance not adjusted with main ledger account.	Actions should be taken as per rules.	Future actions will be taken as per Rule 143.
(ii) Rule 213	Approval of the Secretary of the Sabha in issuing goods from the store.	Actions should be taken as per rules.	Actions will be taken to obtain approval of the Secretary of the Sabha in issuing goods from the store.
(b) Financial Regulation of Democratic Socialist Republic of Sri Lanka			
(i) F.R. 571	Actions had not been taken regarding 85 retained deposit balance of Rs.4,167,341 over two years.	Actions should be taken as per regulations.	Actions will be taken to pay this amount after construction of proposed shopping complex of urban development and

increasing income since present income of the Sabha is not sufficient.

(ii)	F.R. 1646	Daily running charts of 10 Sabha vehicles had not been presented for the audit.	Actions should be taken as per regulations.	Actions will be taken to present in the year 2020.
(c)	Public Admin. Circular No. 30/2016 dated 29 th December 2016.	Fuel consumption of 08 vehicles of the Sabha had not been inspected.	Actions should be taken as per circulars.	Corrective actions will be taken in future.

2. Financial Review

2.1 Financial Results

As per financial statements presented, Sabha income exceeding recurrent expenditure for the year ended by 31st December 2019 under review was Rs.11,933,283 and comparing with the previous year income exceeding recurrent expenditure was Rs.6,586,757.

2.2 Financial control

Audit observation -----	Recommendation -----	Comments by Accounting Officer -----
Cheques valued Rs.15,910 deposits in eight occasions a few years ago in a bank current account maintained by the Sabha had not been realized even by the end of the year under review.	Cash pertaining to dishonoured cheques should be recovered soon.	It will be corrected in future.

2.3 Income Administration

2.3.1 Estimated income, billed income, collected income and arrears of income

Information of estimated income, billed income, collected income and arrears of income pertaining to year under review and previous year are as follows.

Income source	2019				2018				
	Estimated income	Billed income	Collected income	Total arrears as at 31 st December	Estimated income	Billed income	Collected income	Collected income	Total arrears as at 31 st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates & taxes	1,614,060	1,598,917	1,557,045	1,375,799	1,531,100	1,621,679	1,386,345	1,333,927	1,333,927
Rentals	8,368,000	7,798,518	9,044,876	747,694	7,625,305	7,375,441	5,875,399	1,994,052	1,994,052
Permit fees	411,000	492,922	469,322	39,100	459,000	669,679	665,229	15,500	15,500
Other income	11,053,000	17,020,957	14,354,369	14,593,378	6,440,000	5,712,437	7,822,375	11,926,790	11,926,790
Total	21,446,060	26,911,314	25,425,612	16,755,971	16,055,405	15,379,236	15,749,348	15,270,269	15,270,269

2.3.2 Rates & Taxes

Audit observation	Recommendation	Comments	by
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(a) Rates

Balance of Arrears was Rs.1,051,907 and Rs.2,141,759 was to be recovered with Rs.1,089,852 being billings of the year. At the end of the year there was a arrears of Rs.835,899 since total recoveries within the year was Rs.1,305,860. Total recoveries was low as 61 per cent of initial deficit and billings.

Arrears of income should be recovered soon.

Most of rates recovered in January 2020 have been recovered as annual fees and balance of assessments will be recovered in future.

(b) Acreage tax

Initial balance was Rs.43,490 while sum of Rs.49,550 was to be recovered with billings of the year Rs.6,060. Since total recoveries within the year was Rs.4,830 arrears was Rs.44,720 at the end of the year under review. Total recoveries within the year was lower as 10 per cent of initial arrears and billings.

Arrears of income should be recovered soon.

Not commented.

2.3.3 Rentals

Ground tax

Initial balance was Rs.238,530 while sum of Rs.561,180 was to be recovered with billings of the year Rs.322,650. Since total recoveries within the year was Rs.66,000 arrears was Rs.495,180 at the end of the year under review. Total recoveries within the year was lower as 12 per cent of initial arrears and billings.

Arrears of income should be recovered soon.

Actions will be taken to refer to Arbitration Board and recover the same.

2.3.4 Water charges

Audit observation	Recommendation	Comments by Accounting Officer
Initial balance was Rs.831,425 while sum of Rs.1,032,106 was to be recovered with billings of the year Rs.200,681. Since total recoveries within the year was Rs.127,195 arrears was Rs.904,911 at the end of the year.	Arrears of income should be recovered soon.	Not commented.

2.3.5 Court fines and stamp fees

Audit observation	Recommendation	Comments by Accounting Officer
At the end of the year under review sum of Rs.1,277,911 being court fines and Rs.12,410,556 being stamp fee were to be received from Chief Secretary and other authorities of Provincial Council.	Arrears of income should be recovered soon.	Chief Secretary of Provincial Council will be requested to issue arrears of court fines and stamp fees.

3. Operating Review

3.1 Management Inefficiencies

Audit observation	Recommendation	Comments by Accounting Officer
(a) Fees had not been recovered and not regularized 06 constructions done without proper development permit as per section 9 of Gazette notification No. 1597/8 dated 17 th April 2019.	Should act according to Gazette notification.	Instructions have been requested for filing cases and be responsible not to cause faults of this type.
(b) Agreements of 49 boutique rooms had not been updated as per section 5 and 05 boutique rooms had been sublet against section 11 of circular No. SPC/A/5/6 dated 27 th December 2010 issued by Southern Provincial Commissioner of Local Government .	Should act as per the circular.	It will be corrected in the year 2020.

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| (c) | Although sum of Rs.850,000 had been allocated from Sabha fund for providing toilet aid for low income recipients in the Sabha area, only Rs.50,000 had been given to beneficiaries. No project report had been prepared for this purpose and basis of selection of beneficiaries was not clear. In the sample field audit inspection done on 25 th and 26 th of February 2020 it was observed the fact that seven beneficiaries who were not low incomers had been given aid. | Such cash should be recovered from parties responsible. | Actions will be taken to prepare a project report and follow accurate methodologies. |
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3.2 Human Resources Management

Vacancies & excess of cadre

Audit observation	Recommendation	Comments by Accounting Officer

(a) Vacancies & excess of cadre		

Actions had not been taken to fill vacancies of 18 approved posts and regularize excessive cadre of 02 employees.	Vacancies should be filled and excessive posts be regularized.	It has been sent to Department for approval.
(b) Employees loans		

Actions had not been taken to recover loan balance of Rs.25,750 being arrears from 04 employees at the end of the year under review.	Arrears of loans should be recovered soon.	Future actions will be taken to recover loans.

3.3 Operating inefficiencies

Audit observation	Recommendation	Comments by Accounting Officer

Actions had not been taken to make a survey on display of notices within the area of Hakmana Pradeshiya Sabha and to recover fees as per Gazette notification No.2103 dated 14 th December 2018 and in the sample fiels audit inspection done on 27 th February 2020 it was observed that fee of Rs.624,570 had not been recovered from 181 notice boards displayed at Hakmana – Beliatta road and Hakmana – Walasmulla road.	Should act as per Gazette notification.	Future actions will be taken to recover.

3.4 Assets management

3.4.1 Non vested assets

Audit observation	Recommendation	Comments by Accounting Officer
Actions had not been taken to acquire 11 lands containing in extent 10 acre 02 roods 13.35 perches which are being used by Sabha.	Actions should be taken to acquire to Sabha.	Necessary actions will be taken for acquisition.

3.4.2 Idle / under utilized assets

Audit observation	Recommendation	Comments by Accounting Officer
(a) Resources Center of Kebiliyapola and Community Hall of Belimgala both valued Rs.115,000 belonged to Sabha remained non functional even at the end of the year under review due to non repair.	Non functional assets should be renovated and used for productive purposes.	Actions will be taken in future to obtain allocation since Sabha do not have allocation to set up a cultural center and to acquire the ownership of Community Hall of Belungala.
(b) Interlock machine of Sabha valued Rs.130,862 had remained unused since the year 2012.	Non functional machines should be used for useful purposes.	Actions will be taken to auction.
(c) 06 Sabha vehicles valued Rs.1,320,000 remained non functional and actions had not been taken to repair, use or dispose.	They should be used for productive purposes or disposed if unusable.	Future actions will be taken to dispose or repair upon their acquisition.