

**Hambantota Pradeshiya Sabha**  
**Hambanthota District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to the Audit on 31 March 2017 while Financial Statements relating to the preceding year had been submitted on 31 March 2016. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 28 August 2017.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report the financial statements give a true and fair view of the financial position of the Hambanthota Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

Following accounting deficiencies are observed during the course of audit.

- (a.) The amount payable to the Local Government Pension Fund of Rs.5,350,189 at the end of the year under review had been omitted from the Financial Statements.
- (b.) The money received and paid for the Project for the extension of water pipes at Dematatta Wewa Road, Left First Cross Road amounting to Rs.577,116 had been credited and debited to the miscellaneous deposits account therefore the value had been omitted from the income and expenditure of the year under review.
- (c.) Provisions had not been made for the 03 works finished by the Sabha funds under the basis of reimbursing them with the Provincial Specific Development Grants 2016 amounting to Rs.572,974.
- (d.) Provisions had been made less Rs.542,246 for the creditors and debtors of the construction of stalls of Mayurapura Weekly Fair.
- (e.) Debtors schedule had not been updated, therefore a balance of Rs.90,746 had been brought forward in the debtors schedule, even though the audit fees amounting to Rs.92,346 had been paid.
- (f.) The receivable licence fees for the year under review and the previous year had been understated by Rs.26,050 in the financial statements.
- (g.) Value of the office equipment lot including 202 units received under the "PuraNeguma" Project for the new Sabha building during the year under review had not been accounted.

**1.3.2 Unreconciled Control Accounts**

Differences between the balances of 09 items of accounts in the financial statements and the balances in the registers and schedules totaled to Rs.15,685,859 had been observed.

**1.3.3 Accounts Receivable and Payable**

Following observations are made.

**(a.) Accounts Receivable**

Action had not been taken to recover a distress loan balance of an officer who transferred in the year 2003 amounted to Rs.27,650 and the balance of trade licence fees amounted to Rs.736,929 receivable even before the year 2011.

**(b.) Accounts Payable**

Balance of the Liabilities not settled totaled to Rs.5,109,491 and action had not been taken to remit 03 categories of tax from that amounted to Rs.1,182,923 to the Commissioner General of Inland Revenue.

**1.3.4 Lack of Evidence for Audit**

Fixed Assets Register, Lands and Buildings Register, Boards of Survey reports and schedules on lands and buildings totaling Rs.20,835,941, updated Works Register and the time analysis of receivable industrial creditors balance amounting to Rs.7,877,272 and time analysis of the sundry debtors balance amounting to Rs.383,673, had not been furnished therefore had not been satisfactorily investigated in the audit.

**1.3.5 Non-compliance with Laws, Rules, Regulations etc.**

The following instances of non-compliance with laws, rules and regulations were observed in audit.

| <b>Reference to Laws, Rules, Regulations etc.,</b>                               | <b>Non-compliance</b>   |
|--|---|
| -----  | -----   |
| (a) Pradeshiya Sabha (Financial and Administrative) Rules of 1988<br>Rule No.218 | Action had not been taken to carry out a survey on all the lands and buildings owned by the Sabha annually.   |
| (b) Financial Regulations of the Republic of Sri Lanka                           |   |
| -----  |   |
| (i.) Financial Regulation 103,104,105 and 110                                    | Action had not been taken to do an investigation on a loss of Rs.133,275 which occurred on a tractor met with an accident and find out the parties responsible to recover the loss. |

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|--------|--|--|
| (ii.)  | Financial Regulation 210(1)            | Action had not been taken to receive discounts on payments of water charges of Rs.160,345 for the year under review.   |
| (iii.) | Financial Regulation 156(1) and 210(2) | Action had not been taken for the late penalties on late payments paid during the year under review amounted to Rs.7,546 even though the late penalties had to be recovered from the relevant officers made late payments. |
| (iv.)  | Financial Regulation 396(e)            | Actions had not been taken on 09 cheques overdued that issued but not offered for payments totaling Rs.88,515.   |
| (v.)   | Financial Regulation 571(3)            | Action had not been taken on deposit balance totaling Rs.2,285,498 for the period of year 2007 to 2014.  |

### **1.3.6 Transactions without Authority**

Even though total provision for the capital expenditure of the year under review had been Rs.4,215,000, payments made Rs.4,799,082 under items of capital expenses and Rs.1,067,885 debited to the items of recurrent expense. Action had not been taken to reimburse expenditure made over provisions of Rs.1,646,476 according to the Pradeshiya Sabha Rule 9 (Financial and Administrative)-1988, Rules No.14(1) and No.14(2).

## **2. Financial and Operating Review**

### **2.1 Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.3,821,455 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.6,205,098. Accordingly, an improvement amounting to Rs.10,026,553 is shown in the financial results of the year under review.

### **2.2 Analytical Financial Review**

Following matters are observed.

- (a) Recurrent expenditure was at a high rate of 90 per cent of the recurrent revenue of the year under review and did not disclose a satisfied situation from financial management.
- (b) Recurrent expenditure had been exceeded the self-generated income of every year in considerable amounts, that value had been doubled as the self-generated income during the year under review and there was a situation that recurrent expenditure could not be

recovered in any way without revenue aids provided, and the Sabha had not given any consideration to control expenses.

## **2.3 Revenue Administration**

### **2.3.1 Performance in Collection of Revenue**

The following observations are made on performance in collection of revenue during the year under review.

- (a) Revenue had been collected amounted to Rs.11.34 million, from that, revenue billed during the year under review amounted Rs.17.01 million. Accordingly the progress of the performance of collection of revenue had been 67 per cent.
- (b) The sum of revenue receivable at the end of the year under review had been Rs.18.2 million, from that Rs.4.62 million had been recovered. Accordingly the progress of receivable revenue collection had been 25 per cent.

### **2.3.2 Rates and Taxes**

Rates and Taxes receivable balance as at the year under review amounted to Rs.820,493, included 65 tax units with receivable balances exceeding Rs.2,500 totaling Rs.442,542. Action had not been taken to recover the receivable rates and taxes under the Section 158(1) of the Pradeshiya Sabha Act No.15 of 1987.

### **2.3.3 Lease Rent**

Following observations are made.

- (a.) 12 stalls in Sooriyawewa, Adi 100 Road, Thissapura had been leased out without obtaining any assessment in July 2009, from a Sabha decision report 06 stalls for Rs.250 and the other 06 stalls for Rs.300 each.
- (b.) Even though the assessed rent had to be amended by a new assessment every 05 years action had not been taken accordingly, under the Paragraph 6 of the Circular No.දළපා/පළාතො/2010/01 of Commissioner of the Southern Provincial Council on 27 December 2010.

### **2.3.4 Licence Fees**

Following observations are made.

- (a.) Action had not been taken to recover the Licence fees from Lawyers, Doctors, Notaries and Registrars etc. under Section 152(2) of Paradeshiya Sabha Act No 15 of 1987 during the year under review.
- (b.) Action had not been taken to recover Licence fees receivable from the year 2011 amounted to Rs.736,930.

### **2.3.5 Entertainment Tax**

Action had not been taken to recover the environmental tax from the tickets sold for watching the Bird Park and the Dry Zone Botanical Garden commenced in the year 2013.

### **2.3.6 Court Fines and Stamp Fees**

Court Fines Rs.4,456,802 and Stamp Fees Rs.12,986,375 were receivable from the Chief Secretary to the Southern Provincial Council and other authorities as at 31 December 2016.

## **3. Operating Review**

### **3.1 Performance**

Following observations are made.

- (a.) Annual Action Plan had not been made according to Section 3 of Pradeshiya Sabha Act No.15 of 1987 including the duties and functions to be performed during the year under review based on the role of the Pradeshiya Sabha.
- (b.) Capital Revenue amounted to Rs.2,000,000 and capital expenditure amounted to Rs.3,965,000 had been estimated in the budget under the “Physical Plans, Roads, Lands and Buildings” Programme. The way that capital revenue was earned and the way that capital expenditure amounted to Rs.1,965,000 spent had not been stated.
- (c.) Even though an amount of Rs.187,500 had been paid in December for making 05 name boards to identify the access roads to the Sabha territory under the “Pradeshiya Sabha Strengthening Programme-2016”, the name boards had not been fixed to the date 28 April 2017.

### **3.2 Idle/ Underutilized Assets**

Following observations are made.

- (a.) Two tractors owned by the Sabha had not been put on running during the year under review.
- (b.) Action had not been taken to repair or discard a 12.5 KV Generator cost of Rs.500,000 idled for 07 years, a Concrete Mixing Machine idled from November 2015.

### **3.3 Management Inefficiencies**

Action had not been taken to acquire the possessions, of the land where Sabha Office is situated since 30 years, and the other lands.

### **3.4 Vehicles Control**

The following matters are observed.

- (a.) Even though Sabha owned vehicle feet over 30 vehicles, an assets register had not been maintained including the information regarding them.
- (b.) Action had not been taken to acquire the possession of 14 vehicles received by the Sabha long time ago.
- (c.) Even though an investigation had to be carried out every 06 months to check the fuel consumption under the Public Administration Circular No.41/90 on 10 October 1990,

such investigation had not been carried out to check the fuel consumption for the year under review.

- (d.) 16 vehicles had been put on running without licence for the year under review.

### **3.5 Uneconomic Transactions**

Mobile Library Bus donated by a Non-governmental Organization to the Sabha in 2007 had been idled since the year 2013. Approval had been granted on 28 October 2013 by the Sabha to fix suitable seats, air condition system and to repair the bus and issue it on rental basis, and payments had been made amounted to Rs.555,250 on 01 April 2015. But from that date up to 31 March 2017 it could not be able to put on running.

### **3.6 Solid Waste Management**

The following matters are observed.

- (a.) Sabha had being collected daily about a ton of garbage, covering only 03 GramaSewaWasams out of 23 inside the Sabha limits without calculating the amount of garbage generated inside the Sabha territory. Compost had been produced by the garbage collected daily and the solid waste amount left had been dumped to a 5 Acres land owned by the Sabha in BuruthankandaBolhinda area.
- (b.) Even though a project maintained for recycling the solid waste, neither environmental licence nor environmental recommendation had been obtained and action had not been taken to impose garbage tax and recover the expenditure.

### **3.7 Human Resource Management**

There had been an excess of 05 persons for 05 posts and 06 vacancies for 05 posts as at 31 December of the year under review. Action had not been taken to fill the vacant posts and to regulate the excess number of employees at the end of the year under review.

## **4. Good Governance and Accountability**

### **4.1 Budgetary Control**

It was observed that provisions amounted to Rs.85,000 made for 06 items of expenditure had been completely left, savings of provisions made on 05 items of expenditure totaled to Rs.7,238,259 , and 04 items of revenue objectives that had not been achieved totaled to Rs.10,642,201, so the budget had not been used as an effective management control tool.

### **4.2 Procurement Plan**

A procurement plan had not been made by the Sabha for the year under review.

### **4.3 Internal Audit**

Officer had not been appointed for the internal audit of the Pradeshiya Sabha at the end of the year under review under the Circular No.දපසා/යහ/01/න.ව.ලේ of Commissioner of the Southern Provincial Council on 24 February 2014.

**4.3 Audit and Management Committee**

Action had not been taken, even by end of the year under review, to establish an Audit and Management Committee in terms of the Management Audit Circular No.DMA/2009(1) dated 09 June 2009.

**5. Systems and Controls**

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Fixed Assets Control
- (d.) Budgetary Control