

Tissamaharama Pradeshiya Sabha

Hambantota District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2017 had been submitted to Audit on 29 March 2018, the Auditor General's Report relating to the year under review was sent to the Chairman on 31 August 2018.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Tissamaharama Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies were observed in audit.

- (a) Values of Compactor Vehicle costing Rs.12, 698,000 and Computers and Components costing Rs.204, 640 received as donations during the year under review had not been capitalized.
- (b) Expenditure payable totaling Rs. 3,996,463 and provision for creditors for works totaling Rs. 336,955 Relevant to the year under review had not been provided.
- (c) Provision for creditors in respect of 04 works performed during the year under review had been underprovided to the extent of Rs. 265,192.
- (d) Value of stocks in Ayurveda Dispensaries at the end of the year under review had been overstated to the extent of Rs. 231,379.
- (e) Provision for creditors in respect of audit fees payable for the year under review had not been made.
- (f) While the value of balance stock of 103 items of equipment as at the date of end of the year under review had not been assessed and accounted, value of stationery and street lamp sets had been understated the extent of Rs. 52,138.

1.3.2 Non-reconciled Accounts

Total of disparities observed between balances in 19 items of accounts included in the financial Statements and balances shown in the relevant books and schedules was Rs. 13,802,739.

1.3.3 Suspense Account

Action had not been taken to settle the Suspense Account balance of Rs.272,262 shown in the statement of financial position prepared as at 31 December of the year under review.

1.3.4 Accounts Receivable and Payable

(a) Accounts Receivable

Balances of revenue in arrears totaling Rs. 13,984,384 remained outstanding as at the end of the year under review due to failure in taking action to recover over a long period of time.

(b) Accounts Payable

Action had not been taken to settle contributions payable to Department of Pensions over a long period totaling Rs. 3, 459, 027, Value Added Tax and Nation Building Tax totaling Rs. 475,225 expenses and Work Creditors balances amounting to Rs. 24,473,557 as at the end of the year under review

1.3.4 Lack of necessary written Evidence for Audit

Twelve items of accounts totaling Rs. 36,150,004 could not be satisfactorily vouched in audit due to non-submission of required information for audit.

1.3.5 Non-compliance with Laws Rules, Regulations and Management Decisions.

Instances of non-compliance with laws, rules, regulations and management decisions are shown below.

Reference to laws, rules, regulations and Management decisions	Value	Non-compliance
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	Rs.	
(a) Pradeshiya Sabha Act No.15 of 1987 Section 95.	-	It was observed that disposal of human waste through gully vehicles are being dumped in the open environment border in Yala Sanctuary

(b)	1988 Pradeshiya Sabha (Financial and Administrative) Rules		
	i. Rule 14 (1) and (2)	10,705,750	Capital expenditure had been incurred exceeding the budgeted provisions.
	ii. Rule 185		Action had not been taken to invest surplus funds in the Pradeshiya Sabha savings account and general account
	iii. Rule 193		A Statement explaining reasons for surpluses or excesses under each item of revenue having compared with the budgeted provisions and supplementary votes had not been submitted with the financial statements.
(c)	Financial Regulations of the Sri Lanka Democratic Socialist Republic.		
	F.R. 103(1)(b), 104(1) (3) (4)	730,355	Action had not been taken with regard to accidents took place to two cab vehicles, a garbage compactor and the tractor
	F.R. 189	346,184	Action had not been taken with regard to dishonored cheques.
(d)	Public Administration Circular No. 30/2016 dated 29 December 2016		Fuel consumption of 11 vehicles belong to the Sabha had not been tested.
(e)	Ministry of Power and Energy Circular No. PE/01/01 dated 17 August 2010.		Out of 1852 street maintained from Sabha charges had not been reimbursed for 1656 street lamps, due to non-compliance with circular provisions.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs. 4,892,629 as compared with the excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 14,023,232.

2.2. Financial Control

The balance of the Accumulated Fund as at 31 December of the year under review had taken a minus value of Rs.47,336,896.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Billed, Revenue Collected and Arrears of Revenue Revenue,

Information furnished relevant to Estimated Revenue, Billed, Revenue Collected and Arrears of Revenue for the year unde review and the preceding year are shown below.

Source of Revenue	2017			2016				Total arrears as at 31 December Rs.
	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Total arrears as at 31 December Rs.	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	
i Rates and Taxes	2,820,000	2,963,492	3,100,407	3,252,567	2,303,537	2,834,159	3,456,654	3,409,398
ii Rent	9,622,700	10,145,003	10,717,314	1,089,089	9,934,536	9,366,741	9,476,001	1,421,500
iii License Fees	13,061,500	14,720,225	15,087,881	336,423	11,830,500	13,306,732	12,514,982	795,900
iv Other Revenue	23,379,400	14,509,692	12,877,398	18,214,481	18,205,696	22,009,899	14,559,822	16,499,648
v.Total	48,883,600	42,338,412	41,783,000	22,892,560	42,274,269	47,517,531	40,007,459	22,126,446

2.3.2 Performance in Revenue Collection

While total Revenue Billed during the year under review had been Rs. 42,338,412, out of that including arrears of revenue, a sum of Rs. 41,783,000 had been collected. Total arrears amounting to Rs. 22,126,446 as at the end of the preceding year had been increased to Rs. 22,892,560 at the end of the year under review.

2.3.3 Rates

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- (a) Out of rates in arrears amounting to Rs. 2,874,227 as at the end of the year under review, a total sum of Rs. 459,051 was due to be recovered from 20 units with outstanding balances. Exceeding Rs. 10,000. Action had not been taken in terms of Section 158 (1) of the Pradeshiya Sabha Act No. 15 of 1987 for recovery of taxes in arrears.
 - (b) Rates had been recovered on the basis of the assessment of properties made during the year 2007 as well.

2.3.4 Rent

----- Stalls Rent

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- (a) Action in terms of Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover arrears of rent amounting to Rs. 587,057 at the end of the year under review.
 - (b) In terms of paragraph 05 of the Circular No. SLG/CLG/2010/01 dated 27 December 2010 of the Southern Province Commissioner of Local Government, every agreement should be updated once in 03 years. However, action had not been taken to renew agreements with regards stalls belong to the Sabha.
 - (c) Action had not been taken to sanction the new lease rent by the Sabha as per paragraph 03 of the above mentioned circular. Due to that, a rent of Rs. 8,771,048 had been lost to the Sabha Fund.
 - (d) Lease ownership should not be transferred to another party without approval of the Sabha as per paragraph 11 of the above mentioned circular. However, at the physical inspection carried out on 16 February 2018, it was observed that stalls had been subleased for monthly rents ranging from Rs. 5,000 to Rs. 30,000.
 - (e) While billing for 28 stalls belong to the Sabha had been stopped since a long period of time, out of those billing for the fish market had been stopped in September 2012 and at that time, a sum of Rs. 335,811 had been in arrears. Only a sum of Rs. 28,161 had been recovered even as at 16 February 2018.

2.3.5 License Fees

Sabha had not recovered License Fees in terms of sections 149, 150 and 152 of the Pradeshiya Sabha Act No. 15 of 1987. Due to that, a sum of Rs. 336,423 was outstanding to be recovered as at 31 December 2017. Course of action had not been taken in terms of those provisions regard to tax defaulters.

2.3.6 Court Fines and Stamp Fees

Court Fines amounting to Rs. 3,578,222 and Stamp Fees amounting to Rs. 13,930,567 had been outstanding from the Southern Provincial Council and other authorities. as at 31 December 2017.

3. Operating Review

3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Pradeshiya Sabha under Section 3 of the Pradeshiya Sabha Act No. 15 of 1987 are shown below.

(a) Works not performed

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- I. The Southern Province Commissioner of Local Government had informed that payment will not be made as bills had been prepared and submitted only for the purpose of obtaining provision without commencing construction work of 02 works under the Program for Development of 1000 k.m. of Roads in Rural Areas. Due to that, development benefits valued at Rs. 2,000,000 had been missed to the area of authority of the Sabha.
 - II. Twenty four roads expected to be developed at an estimated value of Rs. 22,580,000 according to the 2017 Budget and the Action Plan had not been developed.
 - III. Construction of the Ayurveda Latrine and Bath Room and construction of the fence around Debarawewa Cemetery at an estimated values amounting to Rs. 225,000 and Rs. 300,000 respectively, expected to be implemented through Sabha funds according to the Action Plan for the year under review had not been implemented.

(b) Solid Waste Management

Following matters were observed.

- I. Although the Sabha owns a wastes management centre in extent of 4.6122 hectares, a quantity of about 6 to 8 tons out of the daily collected garbage had been dumped improperly without being sorted, in a land in extent of about 10 acres situated in the boundary of Yala Sanctuary. This garbage are being taken as food by wild animals causing threat to wildlife.
- II. Although a part of garbage collected in the land area during number of years had been covered with a layer of earth, daily collected garbage is being released to this land over and over again causing adverse effects to the environment and natural glamour.

III. According to paragraph 04 in Environmental Permit No. SU-B 01316 (RI) issued by the Central Environment Authority, adequate fire extinguishers equipment and facilities should be established. However, action had not been taken accordingly.

(c) Sustainable Development Targets

Long term plans for elevation of living condition and health of the people in the area of authority of the Sabha through global index agenda 2030, targeting sustainable development objectives, had not been prepared by the Sabha.

3.2 Human Resources Management

Following matters were observed.

- (a) There was an excess of 20 persons in 09 posts and vacancies of 38 persons in 16 posts in the approved cadre as at 31 December of the year under review.
- (b) Twelve officers serving in the Sabha had not been engaged in duties prescribed for their posts and had been engaged in other duties.
- (c) Action had not been taken to recover loan balances amounting to Rs. 211,075 outstanding from 06 officers who had been in service of the Sabha and left on transfer and loan balances amounting to Rs. 207,061 outstanding from 07 officers who had resigned or retired.

3.3. Assets Management

3.3.1 Lack of Security of Assets

Although a Beckon Loader purchased during the year 2013 or a period close to that incurring a cost of Rs. 5,807,500 had been handed over to a private garage for certain repair work, it had been remained getting decayed in the garage premises without carrying out any repairs up to 19 February 2018, the Sabha had not taken any course of action during the past 05 years.

3.3.2 Assets not vested

Action had not been taken even up to 19 February 2018, to vest the legal ownership of 19 vehicles utilized by the Pradeshiya Sabha

3.3.3 Idle / Under-utilized Assets

Although 03 tractor vehicles, a water bourse, a jeep, two boats, 29 sewing machines, a generator and a block stones making machine belong to the Sabha remained idle during a long period, action had not been taken to repair and use or for disposal.

3.3.4 Annual Board of Survey

Five recommendations made in the Board of Survey Report for the 2016 with regard to asset of the Sabha had not been implemented even up to 16 February 2018.

3.3.5 Vehicles Utilization

Although an engine had been fixed to a Sabha vehicle, action had not been taken get the registered information amended.

3.4 Identified Losses

It had been refused the payment of Rs. 39,915 by the insurance company, as the insurance claim had not been submitted within three months of the accident relevant to an accident occurred to a tractor of the Sabha on 09 January 2017.

4. Accountability and Good Governance

4.1 Budgetary Control

Material variances between the budget for the year under review and the actual revenue and expenditure were observed as shown below.

- (a) While total of adverse variances of 04 items of revenue amounted to Rs.15,738,343, those values were in a range from 08 percent to 58 percent.
- (b) While total of adverse variance of 07 item of expenditure was Rs. 14,980,758, those values were in a range from 04 percent to 57 percent.
- (c) While adverse variance of Capital Expenditure item was Rs. 10, 705,750, percentage of that value was 124 percent.

4.2. Audit and Management Committees

Although 04 meetings of the Audit and Management Committees should be conducted annually at the rate of 01 meeting per quarter as per Management Audit Circular. DMA/2009 (1) dated 09 June 2009 only 01 committee meeting had been conducted for the year under review.

5. Systems and Control

Deficiencies observed in audit were brought to the attention of the Sabha Secretary from time to time. Special attention should be made in respect of following areas of systems and controls.

System	Deficiency
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(a) Accounting	I. Existence of differences between the values shown in the financial statements and those shown in the relevant subsidiary registers. II. Making adjustments to an extent of material value due to accounting deficiencies in past years. III. Non-settlement of Suspense Account

- (b) Revenue Administration
 - I. Non-recovery of arrears of revenue
 - II. Non-identification of new revenue sources .
 - III. Leasing out stalls without updating agreements and proper assessment.
 - IV. Existence of stalls for which assessed rent not recovered or not billed.

- (c) Cadre Management
 - I. Failure to take action to fill vacant posts and regularize excesses.
 - II. Instances of assigning duties other than the duties relevant to the posts.

- (d) Budgetary Control
 - I. Existence of material variances between the budget and actual income and expenditure.
 - II. Lack of evaluation and follow up to achieve budgeted