

Hambantota Pradeshiya Sabha

Hambantota District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the relevant Auditor General's report and the management report had been forwarded to the Chairman on 29 May 2019 and 11 June 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in this report, the financial statements of the Hambantota Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2018 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

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i) The water motor valued at Rs.63,000 received by the Sabha from the Disaster Management unit had been omitted in the financial statements of the year under review.	All fixed assets should be brought to account.	Action will be taken to rectify in future.
(ii) Provision for creditors for construction of stores at the Bolhinda Compost Centre during the year under review had been understated by Rs.900,088	Should be correctly brought to account.	Action will be taken to rectify in future.

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| (iii) | The total expenditure of Rs.3,327,801 incurred on 07 constructions during the year under review and the previous year had not been capitalized. | All fixed assets should be brought to account. | Action will be taken to rectify in future. |
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(b) Unreconciled Control Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Differences totalling Rs.200,884 existed between the balances of 03 items of accounts aggregating Rs.12,136,848 and the related subsidiary registers/schedules.	Action should be taken to reconcile the difference in the balances and rectify the accounts.	Will be rectified in future.

(c) Lack of Necessary Documentary Evidence for Audit

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Four items of accounts aggregating Rs.85,425,637 could not be satisfactorily vouched in audit due to non rendition of necessary information.	Evidence to confirm balances shown in the financial statements should be furnished.	Action will be taken to acquire land, assess properties and enter in the register of fixed assets and maintain correct schedules.

1.4 Non compliance

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

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) 1988 Pradeshiya Sabha(Finance and Administration) Rules	The average excess cash existing in 02 current accounts of the Sabha amounted to Rs.1,792,156 and Rs.8,939,600 respectively. Action had not been taken to invest at least a portion of it.	Action would be taken according to the rule.	Ten per cent retentions has to be paid for work. Therefore, investments cannot be made. Action will be taken to commence fixed deposits in future.
Rule 185	Revenue and expenditure had not been reconciled with budget and a statement furnished for audit.	Action would be taken according to the rule.	A statement showing cause for variances in budget will be prepared and furnished In future.
Rule 193	Revenue and expenditure had not been reconciled with budget and a statement furnished for audit.	Action would be taken according to the rule.	A statement showing cause for variances in budget will be prepared and furnished In future.
(c) Financial Regulation of the Democratic Socialist Republic of Sri Lanka	Advances amounting to Rs.50,098 had not been settled.	Action should be taken in terms of the Financial Regulation.	A sum of Rs.3,339 had been settled. Approval of the General Council had been obtained on 21 March 2019 to
(i) Financial Regulation 371(5)	Advances amounting to Rs.50,098 had not been settled.	Action should be taken in terms of the Financial Regulation.	A sum of Rs.3,339 had been settled. Approval of the General Council had been obtained on 21 March 2019 to

write off
unidentifiable
balances.

Financial Regulation
571

Action had not been taken to settle 07 balances of general deposits valued at Rs.2,647,466 and the balances of 10 per cent retentions, exceeding 02 years.

Action should be taken in terms of the Financial Regulation.

It had been decided at the General Council meeting held on 21 March 2019 to credit Rs.66,522 to state revenue and credit the balance to state revenue after examining files.

Financial Regulation
702(3)

(d) Paragraph 3.1 of the Public Administration circular No.30/2016 of 29 December 2016.

Copies of agreements signed had not been furnished to the Auditor General.

Action should be taken in terms of the Financial Regulation.

Copies of signed agreements will be furnished to the Auditor General from 2019.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year under review amounted to Rs.12,488,338as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.8,629,022.

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	2018				2017			
	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.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes								
Rent								
Licence Fees								
Other Revenue								
Total	18,878,900	19,128,626	15,390,932	7,563,391	20,481,800	18,417,440	17,324,515	5,993,100

2.2.2 Performance in collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Although the overall revenue to be recovered during the year under review amounted to Rs.54,910,410, the revenue collected during the year under review amounted to Rs.25,817,665 showing a progress of 47 per cent in collection of revenue.	----- Arrears of revenue should be recovered.	----- Distraining programme will commence in 2019. Discussed with the Governor for recovery of court fines and stamp fees.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
----- The arrears of rates and taxes as at 31 December of the year under review amounted to Rs.752,669. Action had not been taken to recover the arrears In terms of Section 158(1) of the PradeshiyaSabha Act.	----- Arrears of revenue should be recovered.	----- A distraining programme will be organized and action will be taken to recover arrears during this year too.

2.2.4 Licence Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Action had not been taken to recover the licence fees of Rs.710,880 receivable during the year under review.	----- Action should be taken to recover the arrears of licence fees.	----- The recovery period of this amount had expired and as such this could not be recovered. Schedules needed for write off had been prepared and forwarded to the Minister in charge of the subject for approval.

2.2.5 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
Court fines and stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2018 amounted to Rs.5,924,866 and Rs.15,184,214 respectively. Of these, balances over 05 years were Rs.2,651,012 and Rs.7,393,853 respectively.	Action should be taken to recover arrears of court fines and stamp fees.	Arrears of stamp fees and court fines amounting to Rs.462,461 Rs.2,573,539 respectively had been recovered on 20 February 2019. Action will be taken to obtain the balance soon.

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 health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) Delay in Execution of Tasks

Audit Observation	Recommendation	Comments of the Accounting Officer
Only 06 out of 48 development proposals` Included in the budget for 2018 had been executed by end of the year under review.	Attention should be paid to fulfil development proposals included in the budget.	Provison had not been obtained for the expected programmes and approval had not been obtained for the project report.

(b) Sustainable Development Targets

Audit Observation	Recommendation	Comments of the Accounting Officer
The Sabha had not prepared a long term plan to uplift the living	Indicators should be identified to measure	Although long term plans had not been prepared for

standards and health of the public of the authoritative area of the Sabha by the global indicators referred to in the 2030 Agenda of the Sustainable Development relating to sustainable development objectives and targets.

sustainable development objectives and targets and the purpose in achieving targets should be annually measured accordingly.

sustainable development objectives and targets, those activities are continuously carried out. Attention will be drawn to prepare plans in this connection in future.

3.2 Management Inefficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Business centres that should obtain environmental protection licences had not been identified during the year under review. Environmental licences had also been not issued for 10 industries operating in the area.	Environmental protection licences should be obtained.	Licences had been issued to few industries. Industries not obtaining licences will be identified and supervised regularly for them to obtain licences.
(b) A survey of telecommunication towers established in the authoritative area of the Sabha had not been done.	A survey of telecommunication towers should be done.	This survey had been done in many areas and surveys will be carried out in future in the remaining areas.
(c) According to sub section (5)4 of schedule V of the Gazette Extraordinary Notification No.8/1597/ of 17 April 2009 issued by the Minister of Urban Development and Community Lands, conformity certificates should be obtained for old constructions/ developments. However, conformity certificates had not been issued for 06 out of 10	Action should be taken in terms of the Gazette notification.	The institutions concerned had been intimated to obtain conformity certifierers.

telecommunication towers established in the authoritative area of the Sabha.

3.3 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken even by end of the year under review to fill 13 vacancies in the cadre.	Action should be taken to fill vacancies in the cadre.	Approved to fill vacancies had been forwarded to Chief Secretary and the Governor. An interview had been held for a post.
(b) Nine employees recruited by the Sabha had been engaged in duties not relevant to their permanent posts.	Officers should be assigned with approved duties.	There are vacancies in the cadre and the day to day work is done on the basis of the knowledge of officers.
(c) Action had not been taken to recover Rs.184,360 from employees who had gone on transfers and those who had vacated posts.	Action should be taken to recover employees' loans.	Action will be taken to recover all the dues In future.

3.4 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken to settle the ownership of 06 land and 10 buildings benefited by the Sabha.	Action should be taken to settle ownership.	There are no title deeds or any other legal documents for 03 lands. The Divisional Secretary had been requested to vest ownership of lands. The Department of Valuation had been requested to make assessment for 3 other lands buildings.

<p>(b) Although over one year had elapsed since the purchase of the management software system valued at Rs.720,000, the computer software system was not in an expected performance level</p>	<p>This system should be maintained in a best performance level.</p>	<p>Feeding of information into the computer system is in progress. Action will be taken to make use of the system.</p>
<p>(c) Recommendations of the Finance and Policy working committee had been obtained on 31 July 2017 to purchase 10 CCTV cameras. 24 cameras had been purchased for Rs.733,635 without provision in the budget for this project.</p>	<p>Correct budget management should be maintained and purchases should be made according to the approval.</p>	<p>The committee decided to purchase 10 cameras at the initial stage with the arrival at the new office. It was observed that it was not adequate and as such the Mechanical Engineer of the Divisional Secretariat and the Chief Electrical Engineer of the Electricity Board visited the Sabha and gave instructions for installing the cameras.</p>

3.5 Assets Management

3.5.1 Assets not Acquired

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>Action had not been taken even during the year under review to acquire legal ownership of 07 playgrounds, 21 crematoriums and 05 community centres benefitted by the Sabha.</p>	<p>Action should be taken to acquire assets.</p>	<p>Surveying of 14 lands had already been completed by now. But, action had not been taken to vest it with the Sabha. Action will be taken to survey the rest and acquire ownership for the Sabha.</p>

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Adverse variances in 02 items of revenue aggregated Rs.3,595,945, ranging from 26 to 34 per cent.	Feasible estimates should be prepared.	The reason was that the machines of the Sabha could not be given on hire as they were being used for Dengue Eradication Programmes.
(b) Savings in 06 items of expenditure aggregated Rs.12,880,361 ranging from 24 to 62per cent.	Feasible estimates should be prepared.	Although provision had been made for recruitment of new employees such recruitments had not been made and the money allocated for surveying of land remained unpaid during the year.