

BeliaththaPradeshiyaSabha

HambantotaDistrict

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 summarized report of the relevant Auditor General's report and the management report had been forwarded to the Chairman on 31 May 2019 and respectively 11 June 2019 .

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in this report, the financial statements of the Beliaththa 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
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Provision for creditors had been made for 05 works totally valued at Rs.4,105,000 which had not been brought to account during the year under review.	Provision for creditors should not be made without liabilities.	Provision for creditors had been made as estimates were prepared for projects.

(b) Unreconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
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Differences aggregating Rs.5,851,733 existed between the balances of 04 items of accounts aggregating Rs.56,616,446 and the	Action should be taken to reconcile the differences and rectify balance s.	Action will be taken in future to reconcile balances and rectify.

related subsidiary registers/schedules.

(c) Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Eleven items of accounts aggregating Rs.272,101,949 could not be satisfactorily vouched in audit due to non- rendition of necessary information.	Evidence to confirm balances of accounts shown in the financial statements should be produced.	The Sabha is in possession of original copies of title deeds and efforts were made to obtain their new assessments. Subsequent action will taken to furnish detailed schedules and age analysis for other items.

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 Rule 193	Revenue and expenditure had not been reconciled with budget and a statement furnished for audit.	Action should be taken in terms of the rule.	Action will be taken to prepare a statement showing causes of surpluses and deficits relating to revenue and expenditure.

(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka

(i) Financial Regulation 371	Although ad-hoc imprests should be settled immediately after the related work is over, such action had not been taken regarding imprestj amounting to Rs.43,535	Action should be taken in terms of the financial regulation.	Action will be taken to settle advances.
Financial Regulation 702(3)	Copies of signed agreements of contracts had not been furnished to audit.	Action should be taken in terms of the financial regulation.	Copies of agreements will be furnished for audit in future.
(c) Paragraph 3.1 of the Public Administration circular No.30/2016 of 29 December 2016.	Consumption of fuel by 03 vehicles of the Sabha had not been tested.	Action should be taken in terms of the circular.	Consumption of fuel by 03 vehicles will be tested in future.
(d) Circular No,01/2014 of 24 February 2014 of the Chief Secretary, Southern Province	Employees who are required to furnish had not security deposits furnished them.	Action should be taken in terms of the circular.	Action will be taken to furnish security deposits in future.
(e) Circular No. දපපා/පපාකො/2010/01 Of 27 December 2010 of the Commissioner of Local Government, Southern Province			
(i) Paragraph 04	Action had not been taken to recover the key money of Rs.1,748,000 from 08 stalls of the Sabha	Action should be taken in terms of the circular.	Lessees of stall Nos. 04 and 08 of the new trade complex and the lessees of stall No.01 and 11 pays Rs.5,000, Rs.10,000 and Rs.20,000

respectively per month. Stall No.04 had been intimated to make payments.

(ii) Paragraph 05	Agreements of 53 stalls had not been updated every 03 years.	Action should be taken to update the agreements.	Action will be taken to update agreements.
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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.16,090,076as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.12,955,657.

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	1,991,590	1,977,986	1,156,276	1,724,741	2,547,370	2,393,872	1,605,454	1,391,165
Rent	9,458,458	8,512,046	8,256,408	1,610,164	10,178,040	10,337,145	9,745,997	2,488,957
Licence Fees	3,616,050	2,175,027	2,113,989	90,600	1,224,360	1,672,993	1,658,743	14,250
Other Revenue	88,890,716	71,866,661	57,241,166	34,114,397	15,318,810	15,374,285	4,811,347	10,562,938
Total	103,956,814	84,531,720	68,767,839	37,539,902	29,268,580	29,778,295	17,821,541	14,457,310

2.2.2 Performance in collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
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The arrears of revenue as at 01 January of the year under review amounted to Rs.14,457,310 and the billings of the year amounted to Rs.84,531,720. Accordingly, the overall revenue to be collected during year amounted to Rs.98,989,030. However, the revenue collected during the year amounted to Rs.68,767,839. The progress in collection of revenue was 69 per cent.	Arrears of revenue should be recovered.	Audit paragraph accepted.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The revenue from rates and taxes as at January 01 of the year under review amounted to Rs.1,391,165 and the billings of the year amounted to Rs.1,977,986. Accordingly, the revenue from rates and taxes to be recovered during the year amounted to Rs.3,369,151. However, the revenue collected amounted to Rs.1,156,276 showing a progress of 34 per cent in collection of rates and taxes.	The progress of recovery of rates and taxes should be enhanced.	The rates and taxes to be recovered during the year was Rs.2,990,513 whereas the revenue collected was Rs.1,223,671. The progress in collection of rates and taxes was 41 per cent.
(b) Out of the balance of rates and taxes of Rs.1,703,520 receivable as at 31 December of the year under review, the balances of arrears relating to 02 to 04 years amounted to Rs.1,324,554.	Arrears of revenue should be recovered	Audit paragraph accepted.

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| (c) | The acreage tax receivable as at 31 December of the year under review amounting to Rs.21,220 had not been recovered even by 30 May 2019. | Arrears of revenue should be recovered. | Audit paragraph accepted. |
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2.2.4 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The estimated revenue from rent for the year under review amounted to Rs.9,458,458 and the revenue billed amounted to Rs.8,512,046. The arrears as at end of the year amounted to Rs.1,610,164 as the revenue collected during the year amounted to Rs.8,256,408.	Estimate should be correctly prepared.	Action is being taken to recover arrears of rent.
(b) Stall rent of Rs.707,562 receivable as at 31 December of the year under review is included in this balance of rent. Action had not been taken in terms of Section 159(1) of the Pradeshiya Sabha Act to recover this arrears.	Arrears of rent should be recovered.	A portion of the arrears had already been recovered by activities such as sealing of stalls which owe dues.

2.2.5 Licence Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The estimated revenue from licence fees for the year under review amounted to Rs.3,616,050 and the billings amounted to Rs.2,175,027.	Correct estimate should be prepared.	This difference is due to over estimation in the budget for 2018. This will be rectified in future.

Accordingly, billings were only 60 per cent of the estimated revenue.

(b) Action had not been taken to recover licence fees of Rs.90,600 receivable as at 31 December of the year under review.	Arrears of revenue should be recovered,	Out of the arrears of the year under review, Rs.14,200 had been recovered. Rs.21,800 had been written off. Legal action will be taken to recover the balance.
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2.2.6 Court Fines and Stamp Fees

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Court fines and stamp fees of Rs.475,765 and Rs.30,431,396 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2018.	Arrears of court fines and stamp fees should be recovered.	Out of the arrears of court fines and stamp fees, a sum of Rs.393,478 and a sum of Rs.3,606,522 respectively had already been recovered. The Chief Secretary had been requested to obtain them.

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., facilities and welfare etc.

(a) Tasks Abandoned

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The task of renovating the waste water distillery unit of the	Task should be commenced after	The District Engineer who made a field visit had

Compost Project commenced during the year under review and Rs.300,000 had been spent, But, the expected results had not been achieved even by 31 December 2018. The task had been abandoned as the wire used for the construction was not of the required standard.

feasibility studies.

instructed the contractor to use wires of the required standard and to remove the ones used as they were not of the required standard. Subsequently, the contractor had abandoned the contract half way. The Sabha had not made any payments.

(b) Delay in Execution of Tasks

Audit Observation

Recommendation

Comments of the Accounting Officer

Sixteen work proposals valued at Rs.5,970,000 included in the budget for the year under review had not been executed.

Attention should be paid to execute the work proposed which had been included in the budget.

These work proposals had been revised subsequent to the appointment of the general council of the sixth session. Proposals of members dated 23 July 2018 had been accepted and being implemented.

(c) Sustainable Development Targets

Audit Observation

Recommendation

Comments of the Accounting Officer

The Sabha had not prepared a long term plan to uplift the living 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.

Indicators should be identified to measure sustainable development objectives and targets and the purpose in achieving targets should be annually measured accordingly.

Various programmes had been organized annually to achieve the objectives of sustainable development. Action will be taken to prepare long terms sustainable development programme till 2030.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The Sabha had received 600 flagstaffs from the Ministry of Provincial Councils and Local Government in 2014. Of these, 279 had been issued to outsiders. had not been taken even during the year under review to instigate the outsiders to return them to the Sabha,	Action should be taken to obtain the flagstaffs given to Action outsiders.	Issue of 179 flagstaffs had been made by entering in registers for needs in the area. The parties concerned had been informed in writing to return them.
(b) Action had not been taken to enter into agreements or to recover a ground rent for the electronic publicity notice boards exhibited at the entrance to the Pradeshiya Sabha in 2017 and during the year under review.	Agreements should be entered into or ground rent should be recovered.	The Department Valuation had fixed the rate of Rs.2,100 per month for the electronic publicity notice boards. Related parties had been requested to enter into new agreements.
(c) Revenue licences had not been obtained for 07 vehicles of the Sabha for the year under review.	Revenue licences should be obtained annually.	Revenue licences had been obtained for the water bowser No.RX-2058. Action will be taken in future to obtain licences for other vehicles.
(d) The Management Information System purchased without feasibility studies remained inoperative even by 21 March 2019.	The operation of the Management Information System should be maintained in a best level.	The problem in the system had already been corrected. It is operating at present.
(e) As a result of storing all data and information of the Sabha in the server of the service supplier, the safety of data	Action should be taken regarding the safety of data and information,	The server relating to the safety of the relevant system was agreed to be handed over to the

and information of the Sabha, Its confidentiality and correctness at a risk.

confidentiality and correctness of the Sabha.

institution immediately after the completion of training to new officers by the seller institution.

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 10 vacancies in the approved cadre.	Vacancies should be filled.	The vacancy in the post of Library Assistant and the vacancy in the post of Work/Field Labourer had already been filled. Action will be taken to fill other vacancies.
(b) Six officers of the Sabha had been assigned with duties not relevant to them.	Officers should be assigned with approved duties.	These officers had been assigned with other duties due to vacancies in posts and due to more duties being assigned to officers.
(c) The security deposits of Rs.13,948 of 02 officers who had left the service during the past years had not been settled.	Employees' security deposits should be settled.	The employees are not in the addresses given by them. As such, the employees' security deposits could not be settled. These security deposits will be settled if information are obtained.

3.4 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Trade licences had been issued to 12 industries to which environmental protection licences had not been issued.	Environmental protection licences should be issued.	Industrialists had been informed to obtain environmental protection licences.

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| (b) Action had not been taken to issue environmental protection licences to industries where the period of validity of their licences had expired or to find out their present position. | Environmental protection licences their should be issued. | Industrialists had been requested to renew environmental protection licences. |
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3.5 Assets Management

3.5.1 Unattended maintenance and Repairs

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Three vehicles of the Sabha remained inoperative for a long time. Action had Not been taken for their repairs/disposals.	Action should be taken for repairs/ disposals.	Action will be taken in future as per recommendations of the Mechanical Engineer.

3.5.2 Assets not Acquired

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The Sabha had not acquired ownership of 12 vehicles as at 31 December of the year under review.	Assets should be acquired.	Necessary action had been taken to acquire ownership of 03 of the vehicles belonging to the Sabha.

3.5.3 Idle and under utilized Assets

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Two motors, a 1000 litre barrel and a machine producing block stones which belongs to the block stone producing factory and the coir mill of the Sabha remained idle for a long time.	Assets should be utilized.	Production of coir had been stopped as the cost of production had increased and no reasonable price is offered for it. Necessary action to commence the

production of block stones had commenced.

3.5.4 Annual Board of Survey

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>The recommendations made for the shortage of voice recorder and USB charger identified at the Board of Survey report of 2017 had not been implemented even by 09 April 2009.</p>	<p>-----</p> <p>The recommendations of the board of survey should be implemented.</p>	<p>-----</p> <p>Noticed to bring the USB charger.</p>

3.6 Procurement

3.6.1 Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>Four Management Information Systems had been purchased for Rs.720,000 by the Sabha from M Code IT Solutions Private Organization in 2017 without following procurement procedures.</p>	<p>-----</p> <p>Procurement procedures should be followed.</p>	<p>-----</p> <p>Approval had been granted to purchase the Management Information Systems from the institution which had supplied the Management Information Systems to the Suriyawewa Pradeshiya Sabha based on the letter of the Assistant Commissioner of Local Government, Hambantota bearing No.HPP/D/IG of 06 September 2017.</p>

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Adverse variances in 02 items of revenue aggregated Rs.14,461,450, ranging from 20 to 77 per cent.	Feasible estimates should be prepared.	Action will be taken to rectify variances between the budgeted revenue and expenditure of the year under review.
(b) Adverse variance in one item of expenditure amounting to Rs.1,360,759 represented 30 per cent.		