

Suriyawewa 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 28 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 31 May 2019 and 07 June 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Suriyawewa Pradeshiya Sabha 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 recurrent expenditure of Rs.299,895 incurred on repairing 02 childrens' garden during the year under review had been capitalized.	Recurrent expenditure should not be capitalized.	Action will be taken to rectify in future.
(ii) The expenditure incurred on improvements to assets valued at Rs.235,199 on behalf of partitioning of divisions in a library and preparation of racks in a rural library had not been capitalized.	All fixed assets should be brought to account.	Action will be taken to rectify in future.
(iii) The expenditure incurred on fencing the Weniwelara	All fixed assets should be brought to account.	Action will be taken to rectify in future.

Building with nets had been capitalized less by Rs.78,023.

- (iv) Provision for debtors and creditors had not been made as at end of the year under review in respect of the sum of Rs.1,624,244 due on bills from the Ruhunu Tourism Bureau for improvements made to the Madhunagala Hotwater Springs Vicinity by the said Bureau together with the constructions made. Should be correctly brought to account. Action will be taken to rectify in future.
- (v) Provision for creditors had not been made for the expenditure on fuel of Rs.200,000 paid to utilize motor grader on the roads within the area of the Sabha. Should be correctly brought to account. Action will be taken to rectify in future.

(b) Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Five items of accounts aggregating Rs.151,313,683 could not be satisfactorily vouched in audit due to non- rendition of necessary information.	Evidence should be furnished for confirming the balances.	Audit paragraph accepted. Action will be taken to rectify in future.

1.4 Non-compliance

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
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(a) Section 134(1) of the Pradeshiya Sabha Act No.15 of 1987.	Attention of the Sabha had not been drawn towards identifying	Should take action according to the Act.	A list of identified properties had been referred for assessment to the

areas for new rates so as to make assessments and make recoveries.

Department of Valuation on 29 October 2018. Rates and taxes will be recovered from 2020 after the activities are over.

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| (b) | Paragraph 3.1 of the Public Administration Circular No.30/2016 of 29 December 2016. | Consumption of fuel by 04 vehicles of the Sabha had not been tested. | Action should be taken according to the circular. | Fuel will be tested in future. |
| (c) | Paragraph 04 of circular No.දපපා/පපාකො/2010/01 of 27 December 2010 of the Commissioner of Local Government. | Key money amounting to Rs.337,592 had not been recovered from 10 stalls of the Sabha. This included arrears of balances of Rs.292,592 prior to 2011. | Action should be taken according to the circular. | Authority to write off the irrecoverable sum of Rs.270,992 included in this arrears had been sought from the Secretary of the Chief Ministry on 28 February 2017 vide the Commissioner of Local Government. The ownership of Suriyawewa bus stand does not belong to the Sabha. Therefore, stall rent of Rs.21,600 is unable to be recovered. Arrears will be recovered after acquiring ownership of stalls. The Sabha had acquired 02 other stalls as the sum of Rs.45,000 due could not be recovered. |

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 ended 31 December 2018 amounted to Rs.8,762,304 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.7,072,724.

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.

2018

2017

Source of Revenue	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.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	831,000	911,710	914,460	15,350	1,115,000	813,030	810,180	18,100
Lease Rent	19,323,100	17,077,595	17,008,480	981,065	19,847,500	17,930,430	17,813,530	911,950
Licence Fees	1,229,100	1,283,599	1,309,049	1,750	1,164,200	1,058,871	1,031,671	27,200
Other Revenue	2,037,000	6,727,844	4,531,201	7,873,297	5,720,300	7,187,516	4,632,518	5,676,654
Total	23,420,200	26,000,748	23,763,190	8,871,462	27,847,000	26,989,847	24,287,899	6,633,904

2.2.2 Performance in Collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
The overall revenue to be collected during the year under review amounted to Rs.32,634,652. However, the revenue collected during the year amounted to Rs.23,763,190 showing a progress of revenue of recovery of 73 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
Although the Sabha had collected garbage from a private institution in the authoritative area of the Sabha from 2012 up to end of the year under review, fees had not been recovered in this connection.	Arrears of revenue should be recovered soon.	Garbage is not collected from the institution at present. The institution had been informed that garbage could be collected only when garbage fees is paid.

2.2.4 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
Stall rent amounting to Rs.826,950 and demurrage amounting to Rs.84,190 both totalling Rs.911,140 were due from 36 stalls of	Arrears of rent should be recovered.	Authority to write off Rs.251,405 of the arrears had been sought from the

the Sabha as at 31 December of the year under review. The period of arrears ranged from 2012-2018. Further, action had not been taken in terms of Section 159(1) of the Pradeshiya Sabha Act to recover the arrears.

minister in charge of the subject. Out of the balance of arrears Rs.20,225 had been recovered.

2.2.5 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Court fines of Rs.7,103,280 and stamp fees of Rs.403,796 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2018.</p>	<p>Arrears of court fines and stamp fees should be recovered.</p>	<p>Of these arrears, Rs.2,500,000 had been received by the Sabha on 08 February 2019. Requests had been made to the Chief Secretary and the Governor for receipt of the balance.</p>

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 No.15 of 1987, 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 Work

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(i) An agreement at an estimated value of Rs.1,132,660 had been entered into on 10 December 2018 for electric fencing of the Madhunagala Garbage Management Centre. However, the work had not commenced even by end of the year under review.</p>	<p>The work concerned should be executed.</p>	<p>The Provincial Council had allocated Rs.1,000,000 for this. But, due to the tussle between the land owner and the Sabha, it had been decided to obtain the recommendation of the land usage committee and to legally acquire this land. A building with electricity connection and a security post had only been constructed. Fencing had not been completely done.</p>

- (ii) According to the budget of 2018, 90 development proposals were expected to be implemented. But 25 development proposals only had been fulfilled. Action should be taken to fulfil development proposals included in the budget. Development activities in the area had taken place considering the thoughts of the public subsequent to the appointment of members. As such, the work proposals of the budget could not be executed.

(b) **Solid Waste Material Management**

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) The garbage collected by the Sabha had been disposed of in the garbage disposal land at Madunagala without being segregated.	Action should be taken to segregate the garbage.	It is accepted that this an open space and even outsiders dispose their garbage there as electric fence could not be constructed while a watcher cannot be kept there as wild elephants roam about in the surroundings and the garbage appears all over the place. Meanwhile, garbage is segregated, collected and dumped in the land meant for the purpose and being covered with soil from time to time.
(ii) Production of compost from degradable garbage had not been commenced even by 31 December 2018.	Compost should be produced.	Compost production could be commenced immediately after receiving the provision.
(iii) The Pradeshiya Sabha had obtained environmental recommendations for the Solid Waste Material Management Project. However, it had not implemented 05 conditions included therein even by end of the year under review.	The related conditions should be implemented.	Necessary action is being taken to properly acquire land. Recommendations of the Department of Archaeology had been obtained. Recycling could be correctly done by land settlement, electricity fencing and fencing with nets. These problems had arisen due to non-availability of provision.

These problems can be solved after commencing the project.

(c) **Sustainable Development Target**

Audit Observation	Recommendation	Comments of the Accounting Officer
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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 progress in achievement of annual targets should be measured accordingly.	Development officers had been introduced to prepare long term plans. Those plans had not been prepared and furnished. As a result, this situation had occurred.

3.2 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The approved and actual cadre were 55 and 49 respectively. As a result, there was 01 excess and 07 vacancies in the cadre.	Excess in the cadre should be regularized and the vacancies should be filled	Request had been made to the Chief Secretary to fill 04 vacancies. The vacancy for the post of driver had been gazetted and interviews had also been conducted. Approval had been sought to recruit the labourer who had vacated the post for 2 vacant posts of sanitary labourers. Action will be taken to get approval to recruit a person for the other vacancy. The Department of Management had been informed for approval of the excess post.
(b) Employees' Security deposits of Rs.46,230 of 14 employees who had left the services of the Sabha during the previous years had not been settled.	Action should be taken to settle the employees' security deposits.	Officers had not made requests. Action will be taken to settle in future.

3.3 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
The Sabha had entered into an agreement for installation of 04 computer systems on 04 April 2017 for Rs.720,000 and Rs.540,000 had been paid by 31 December of the year under review. However, the operation of those systems were at a low level.	This system should be maintained at the best operating level.	Preparation of stores documents, issues etc., are done by the stores stock control system. All details of the staff could be obtained from the human resources and personal files systems. Details of types of vehicles, numbers, registered numbers etc., could be obtained from the motor vehicle system.

3.4 Assets Management

3.4.1 Unattended Maintenance and Repairs

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken for disposal or repair of a vehicle which remained beyond usage since August 2016.	Action should be taken for disposal/ repair.	Action is being taken by the Sabha to acquire this vehicle. Will be disposed after obtaining the registration certificate.

3.4.2 Assets not Acquired

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken even by 31 December 2018 to acquire ownership of 31 crematoriums belonging to the Sabha.	Action should be taken to acquire ownership.	Action is being taken to acquire ownership of crematoriums.
(b) Action had not been taken to acquire legal ownership of 07 lands valued at Rs.18,500,000 and 11 buildings valued at Rs.38,225,000, belonging to the Sabha.	Action should be taken to acquire ownership.	Request had been made to the Governor for acquirement of all public land within the area.

3.5 Procurement

3.5.1 Contract Administration

The following observations are made with regard to an agreement entered into on 30 December 2018 for Rs.500,000 for fencing 04 crematoriums with barbed wires on the basis of supply of materials by the Sabha to 3 death donation societies and a farmer's association.

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Work should be completed within one week of the agreement. However, the work had not been completed even by 18 April 2019.	Action should be taken according to the agreement.	Out of the 04 crematoriums, crematoriums at Hathporuwa, Andarawewa and Bedewewa had been fenced.
(b)	Twenty six cement bags usable for 90 days from the date of production (27 December 2018) had not been used even by 18 April 2019 and their period of usage had expired. Further, the expenditure of Rs.25,480 incurred on this behalf had become fruitless.	Cement bags should be used during the specified period.	The loss of Rs.15,120 due to expiry of validity period of cement bags had been recovered from the society concerned.
(c)	Action had not been taken to black list the relevant society and the organization.	Should be blacklisted.	Reply not furnished.

4. Accountability and Good Governance

4.1 Budgetary Control

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Provision aggregating Rs.7,720,000 had been made for 09 objects exceeding the allocation of Rs.10,000 made in the annual budget. This had not been spent during the year under review.	Feasible estimates should be prepared.	Provision had been made with the idea of spending during the year. But, this amount could not be spent due to non-execution of certain work, non-receipt of estimated revenue and lack of money to accomplish work.

- (b) Savings aggregating Rs.35,383,901 existed in 04 items of expenditure, ranging from 29 to 100 per cent. Feasible estimates should be prepared. Audit paragraph accepted.