

Ambalantota Pradeshiya Sabha

Hambantota District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented for audit on 02 March 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 10 June 2020 and 30 June 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in this report, the financial statements give a true and fair view of the financial position of the Ambalantota Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3.1 Basis for qualified opinion

(a) Accounting Deficiencies

The following accounting deficiencies were observed.

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|---|--|
| (i) The capital expenditure of 03 projects completed during the year under review amounting to Rs.3,622,653 had not been capitalized. | Assets should be correctly entered in the accounts. | Action will be taken to capitalize assets In future. |
| (ii) The aggregated value of 05 vehicles of the Sabha amounting to Rs.2,237,750 had been understated in the accounts. | Assets should be correctly assessed and brought to account. | Will be rectified in 2020. |
| (iii) The water lorry bowser vested with the Sabha by the Chief Ministry of Southern Province had not been assessed and brought to account. | Assets should be correctly brought to accounts. | Will be rectified in 2020. |

(b) Unreconciled Accounts

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|---|
| A difference of Rs.2,299,264 was observed between the balances of 02 items of accounts aggregating Rs.13,146,650 and the balances appearing in the relevant subsidiary register/registers | Action should be taken to correctly furnish the subsidiary registers relating to balances shown in the accounts. | Action will be taken to rectify the variances existing in the arrears of Rates and Investments Account in 2020. |

(c) Lack of Necessary Documentary Evidence for Audit

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|--|
| Necessary information required for audit of 08 items of accounts aggregating Rs.78,810,763 had not been furnished. | Evidence to confirm balances shown in the financial statements should be furnished. | Schedules had not been prepared for the opening balances of 2016 and action is being taken to identify deposits. Survey reports and final bills had not been prepared. Action will be taken to furnish schedules for the final accounts of 2020. |

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 |
|---|--|--|--|
| (a) Section 134(2) of the Pradeshiya Sabha Act No.15 of 1987 | Action had not been taken to periodically identify the areas to be developed within the Pradeshiya Sabha | Action should be taken according to the provisions in the Act. | Approval of the Sabha had not been obtained to specifically identify the areas to be developed within the Pradeshiya Sabha in terms of Section 134/2 of the Act. |

(b) 1988 Pradeshiya Sabha
(Financial and
Administration Rules)

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- | | | | | |
|------|----------|---|------------------------------------|--|
| (i) | Rule 193 | A statement showing reasons for surpluses and deficits relating to items of revenue and expenditure had not been furnished along with the budget. | Should act according to the rules. | Action will be taken to rectify these shortcomings. |
| (ii) | Rule 33 | An annual list of defaulters of payments of rates and taxes had not been prepared. | Should act according to the rule. | Action will be taken to issue red notices of distraining orders to owners of properties with arrears of rates and taxes so as to recover rates within 14 days. |
- (c) Financial Regulations of
The Democratic Socialist
Republic of Sri Lanka
-
- | | | | | |
|------|------------|--|---|---|
| (i) | F.R 571 | Action had not been taken to settle deposits over 2 years amounting to Rs.621,673. | Action should be taken according to the financial regulation. | Of these deposits, Rs.338,571 had been settled by now. The remaining balance of deposits will be settled in future. |
| (ii) | F.R 702(3) | Copies of agreements of contracts had not been furnished to the Auditor General. | Action should be taken according to the financial regulation. | In future, action will be taken to furnish copies of agreements to audit. |

| | | | |
|---|---|--|---|
| (iii) F.RR 1645 (b) (c) and 1646 | Daily running charts and monthly performance summaries of 24 vehicles of the Sabha had not been furnished to the Auditor General. | Action should be taken according to the financial regulations. | Daily running charts had been furnished to audit. Action will be intensified to furnish daily running charts of the remaining 24 vehicles. |
| (d) Other circulars and letters ----- | | | |
| (i) Paragraphs 05 and 06 of the circular No.SP/LG/S10/2010/01 of 27 December 2010 of the Commissioner of Local Government. | Agreements of 26 stalls and the assessed value of 12 stalls of the Sabha had not been updated. | Action should be taken according to the circular provisions. | Although invitations were made to sign agreements for 12 stalls, none were present to sign agreements in 2019. Action will be taken to sign agreements in future. |
| (ii) Paragraph 4.3 (b), (e) of the letter No. PED/REG/2015/08/Eng(i) of 09 October 2015 of the Director General of Public Finance | Action had not been taken to recover loans valued at Rs.178,914 due from 3 employees. | Action should be taken to recover the balances of loans. | Letters had been forwarded to obtain instructions from the legal division of the Chief Secretary office, Southern Province regarding recovery of these loans. |
| (e) Paragraph 04 of the Letter No.PFD/RED/COPA/2019/01 of 30 January 2020 of the Director General of Public Finance. | Performance report had not been prepared. | Action should be taken to prepare performance report annually. | In future, annual performance report will be prepared and furnished. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue in excess of the recurrent expenditure of the Sabha for the year ended 31 December of the year under review amounted to Rs.3,866,768 as compared with the revenue in excess of the recurrent expenditure of the previous year amounting to Rs.2,329,171. Accordingly, the improvement in financial results of the year under review amounted to Rs.1,537,597.

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 | 2019 | | | | 2018 | | | |
|-------------------|-------------------|----------------|-------------------|---------------------------------|-------------------|----------------|-------------------|---------------------------------|
| | Estimated Revenue | Revenue Billed | Revenue Collected | Total arrears as at 31 December | Estimated Revenue | Revenue Billed | Revenue Collected | Total arrears as at 31 December |
| Rates and Taxes | 5,184,100 | 5,239,504 | 3,221,316 | 3,883,984 | 4,910,100 | 4,632,546 | 3,409,957 | 4,008,274 |
| Rent | 16,870,100 | 16,065,589 | 14,655,682 | 3,541,738 | 16,723,700 | 15,764,400 | 15,207,683 | 3,455,208 |
| Licence Fees | 2,604,000 | 2,771,871 | 2,391,481 | 381,390 | 2,531,300 | 2,608,934 | 2,476,934 | 233,280 |
| Other Revenue | 28,635,900 | 26,365,074 | 8,544,725 | 36,309,106 | 86,315,300 | 82,248,941 | 67,152,044 | 26,806,049 |
| Total | 53,294,100 | 50,442,038 | 28,813,204 | 44,116,218 | 110,480,400 | 105,254,821 | 88,246,618 | 34,502,811 |

2.2.2 Rates and Taxes

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|--|
| (a) Rates and taxes amounting to Rs.3,470,998 was due from 6,223 units of rates and taxes as at 31 December of the year under review. Action had not been taken to recover the arrears concerned in terms of Section 158(1) of | Action should be taken to improve performance in recovery of arrears of revenue. | Seven units of tax belong to government properties. Letters had been sent to those institutions on several occasions for payment of arrears of tax. Action will be taken to recover the rest of the arrears in future. |

the Act. Further, a sum Rs.1,110,437 was recoverable from 46 units of rates over Rs.5,000 and the period of arrears ranged from 3 to 105 quarters.

- (b) Rates of properties should be assessed every 5 years. However, the tax recovered for the year under review had been based on the assessment made in 2011.
- (c) Action had not been taken to recover the trade tax of Rs.225,000 due from 106 trade units as at end of the year under review.

Rates should be assessed every 5 years.

Action should be taken to recover arrears of revenue.

Letters had been written on 08 occasions and the Hambantota District Valuation office had informed that the work would commence as early as possible.

Of the arrears, Rs.147,650 had been recovered on behalf of 79 traders. Legal action had been taken regarding 12 traders. Action will be taken to take legal action against the remaining 11 traders.

2.2.3 Rent

Audit Observation

Recommendation

Comments of the Accounting Officer

- (i) Action had not been taken to recover Rs.54,265 due from 250 stalls as at end of the year under review. Further, the period of arrears ranged from 6 to 33 months.

Action should be taken to recover arrears of rent.

Of the arrears, Rs.6,470 had been recovered and action will be taken to recover the remaining arrears.

- (ii) Action had not been taken to recover Rs.399,860 totally due from public markets, week end fairs and 10 other properties given on tenders by the Sabha.

Action should be taken to recover arrears of rent.

Of the arrears, Rs.233,105 had been recovered. Approval had been sought to write off Rs.23,585 connected with terrorist attacks and action will be taken to recover the balance.

2.2.4 Revenue from hire of Machinery

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|---|--|
| Action had not been taken during the year under review to recover the sum of Rs.167,200 due on behalf of services supplied by the Beckolader and Galie bowser of the Sabha. | Recovery of arrears of revenue should be intensified. | Of the arrears, Rs,110,500 had been recovered and action will be taken in future to recover the balance. |

2.2.5 Court Fines and Stamp Fees

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|--|
| The Court fines and stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at end of the year under review amounted to Rs.5,599,268 and Rs.11,983,947 respectively. | Recovery of court fines and stamp fees should be intensified. | A sum of Rs.3,500,000 had already been recovered. Action will be taken in future to recover the balance. |

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 03 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) Bye-Laws

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|---|---|
| Although bye-laws were required to be enacted for 30 main functions in terms of Section 126 of the Pradeshiyan Sabha Act, bye-laws had been enacted for 07alone even by end of the year under review. | Action should be taken to enact bye-laws. | Action will be taken in future to enact bye-laws. |

(b) Fulfilment of Sustainable Development Objectives

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|--|
| <p>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 through the global index pertaining to the objectives and targets of the sustainable development referred to in the 2030 agenda for sustainable development.</p> | <p>An index should be identified for measuring the objectives and targets of sustainable development of annual progress and should be measured accordingly.</p> | <p>Six functions had been executed in 2019 to achieve development objectives and targets. Necessary action will be taken to prepare long term plans for sustainable development.</p> |

3.2 Management Inefficiencies

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|--|
| <p>Action had not been taken to beneficially utilize the total sum of Rs.1,772,281 lying in 03 savings accounts of the Sabha as at 31 December of the year under review.</p> | <p>Action should be taken to suitably invest the amount lying in the savings accounts.</p> | <p>Action will be taken to beneficially utilize the amount in the savings account.</p> |

3.3 Human Resources Development

3.3.1 Vacancies and Excesses in the Cadre

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|---|
| <p>(a) Action had not been taken to fill 13 vacancies in the approved cadre and to regularize 03 excesses.</p> | <p>Action should be taken to regularize the excess cadre and to fill the vacancies in posts.</p> | <p>According to the Public Administration circular No. 06/2006, out of 6 vacancies posts relate to senior and secondary grades. The Sabha has no authority for making appointments to those posts. Action will be taken to make recruitments for other posts.</p> |

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|-----|--|--|---|
| (b) | Although 05 years had elapsed since the appointment of 02 computer data processors in Grade 111, those posts had not been approved by the Department of Management Service. | Approval for appointments should be obtained. | This had been referred to the Director General of Management Services for obtaining approval by the Chief Secretary of the Southern Province by his letter No.CSS/2/7/1 Cadre 1X of 19 July 2019. |
| (c) | An annual performance agreement and human resources plan for the overall staff had not been prepared for the year under review as required by the Public Administration Circular No.02/2018 dated 24 January 2018. | Action should be taken to prepare the relevant agreement and plan as per provisions in the circular. | A human resources plan for 2019 had not been prepared. A human resources plan for 2020 had been prepared and accepted by the Sabha. |

3.4 Assets Management

3.4.1 Maintenance of/and Repairs to Vehicles

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|---|--|
| ----- | ----- | ----- |
| Four vehicles of the Sabha had been set aside without being used. But, action had not been taken to repair or to dispose of those vehicles. | Action should be taken to repair or to dispose of, the vehicles that had been set aside without being used. | The board of survey of 2019 had proposed auctioning of these vehicles. Further action would be taken by informing the Provincial Engineer. |

3.4.2 Assets not acquired

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|---|
| ----- | ----- | ----- |
| The Pradeshiya Sabha had not acquired ownership of 07 vehicles, 12 lands and 73 buildings used by it even by end of the year under review. | Action should be taken to acquire ownership of assets. | Although requests had been made on many occasions to the Ambalantota Divisional Secretary for acquirement |

of ownership of land and Buildings by the Sabha, it had not been done upto now. In future action will be taken to acquire ownership of 07 vehicles.

3.4.3 Idle Assets

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|--|
| ----- | ----- | ----- |
| Tube wells, stores equipment and supportive equipment of water projects of the Sabha aggregating Rs.145,930 were lying idle without being used for many years. | Action should be taken to utilize equipment belonging to the Sabha. | Action will be taken regarding the goods according to the decisions of the board of survey of ensuing years. |

3.5 Procurement

3.5.1 Procurement Plan

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|---|--|
| ----- | ----- | ----- |
| The Sabha had not prepared a proper procurement plan for the year under review in terms of 4.2.1 of the 2006 Government Procurement Guidelines. | Action should be taken according to the procurement guidelines. | Action will be taken in future to prepare the procurement plan according to the government procurement guidelines. |

3.5.2 Contract Administration

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|--|
| ----- | ----- | ----- |
| Three work proposed to be executed from the funds of the Sabha had not been completed even by 31 December of the year under review. An agreement had been signed for the Ambalantota Walawe River Tourist Boat Transport Centre approved at a cost of Rs.1,200,000 | The development work of a year should be completed within that year itself. | Heavy rain and lack of tar in the market caused delay in work. There was delay in obtaining approval from the office of the Commissioner of Local Government relating to price analysis of estimates for the |

Walawe River Tourist Boat Project. There was delay in obtaining approval of the Divisional Secretary for executing this project in the Depowatte land. Agreements had not been signed due to these.

4. Accountability and Good Governance

4.1 Internal Audit

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|---|
| ----- | ----- | ----- |
| (a) The internal audit plan prepared by the Sabha for the year under review had not been approved by the Chairman. An audit was not done according to the Internal Audit Plan. But only a stock verification had been carried out. | Action should be taken in accordance with the internal audit plan. | It is accepted that the internal audit plan for 2019 had not been approved. Action will be taken to refer the internal audit plan of 2020 for approval of the General Meeting on 10 December 2019 |
| (b) Other matters not relevant to audit had been assigned to the Internal Auditor of the Sabha. | Internal audit duties alone should be assigned. | There were vacancies of 04 officers and two officers were on maternity leave during 2019. As such, other matters had to be assigned. |
| (c) The internal audit report of the year under review had not been furnished for audit. | Internal audit report should be furnished to audit. | In future such reports will be furnished to audit. |