

**Thumpane Pradeshiya Sabha  
Kandy District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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Financial Statements for the year 2017 had been submitted to the Audit on 26 March 2018 and the Auditor General's Report on those financial statements was issued to the Chairman on 14 July 2018.

**1.2 Qualified Opinion**

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In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Thumpane Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with generally accepted accounting principles.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Deficiencies**

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Even though According to the balance confirmation letter of the Local Loans and Development Fund balance of the Loan as at 31 December 2017 had been Rs.6,196,686 that balance had been understated by Rs.18,325 because of accounting that balance as Rs.6,178,361.

**1.3.2 Accounts Receivable and Payable**

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**(a) Accounts Receivable**

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Acumulated value of 09 balances of Accounts Receivable had been Rs.53,592,387 as at 31 December 2017 and out of that total value of the balances over 05 years had been Rs.102,400. The total value of the balances relating 1 to 5 years had been Rs.4,823,349 and further, Rs.35,191,491 had been remained receivable as at 30 April 2018.

**(b) Accounts Payable**

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Acumulated value of 02 balances of Accounts Payable had been Rs.53,507,927 as at 31 December 2017 and out of that total value of the balances relating 1 to 5 years had been Rs.12,058,473. Further, Rs.40,829,266 had been remained Payable as at 30 April 2018.

### 1.3.3 Non-compliance

#### Non-compliance with Laws, Rules, Regulations and Management Decision

Following instances of non-compliance with laws, rules, regulations and management decision were observed.

Reference to laws, rules, regulations and management decision	Amount	Non-compliance
	Rs.	
(a) <u>Pradeshiya Sabha Regulations (Financial and Administrative)</u>		
i. 59 and 61	-	A Survey had not been carried out on the Businesses and Industries who should obtain a License for the year under review.
ii. 178(7)	308,412	Even though it should be accepted only Registered Post or Sealed Quotations when calling for the Tenders to purchase goods, Quotations by hand had been accepted at 07 instances.
(b) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u> F.R.104(3) and 104(4)	-	Even though a Primary report should be rendered if it takes over 07 days to provide a full report on a loss or damage actions had not been taken accordingly about the Backhoe Machine Accident.
(c) <u>Circulars</u>		
i. Paragraph 02(iv) of the Public Administration Circular No.09/2007 dated 17 May 2007	54,714	An interim allowance had been paid to a retired revenue inspector who had been hired for the service again for 11 months and 07 days from 25 January 2017 out of the regulations mentioned in the Circular.
ii. Paragraph 06 of the Commissioner of Local Authorities Circular No.03/2016 dated 17 March 2016	-	Even though it should be amended the lease agreement with the new lease rent incurred after the new assessment the agreements had not been amended for 19 stalls that had been amended the lease rent during the year under review.

## 2. Financial Review

### 2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.5,666,137 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs..8,456,901.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

Information relating to estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

Revenue Source	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Tax	2,980,000	4,253,428	3,376,362	2,129,228	1,225,249	1,993,668	1,987,277	1,252,162
Rent	5,155,000	3,000,268	2,882,981	924,297	5,252,784	4,812,066	5,057,900	800,084
License Fees	2,764,000	1,533,043	1,533,043	--	2,970,000	1,526,108	1,526,108	--
Other Revenue	10,708,000	8,872,630	4,900,161	11,406,155	10,251,500	8,297,794	17,123,050	8,059,455
	21,607,000	17,659,369	12,692,547	14,459,680	19,699,533	16,629,636	25,694,335	10,111,701
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#### 2.2.2 Performance in Revenue Collection

Arrears in all the sources of income as at 31 December 2016 had been Rs.10,111,701 and the balance as at the end of the year under review had been Rs.14,459,680 therefore, the Growth of the Arrears Income had been 42 per cent.

#### 2.2.3 Rates and Tax

##### (a) Rates

The rates in arrears had been Rs.444,097 as at 01 January 2017 and the billing until 31 December 2017 had been Rs.2,896,875. Out of that it had been recovered Rs.173,511 and Rs.2,006,805 respectively as at 31 December 2017. It had been 39 per cent and 70 per

cent as a percentage. The arrears as at 31 December 2017 had been Rs.1,160,656 therefore, the collection of arrears in income had been in a weal state and actions had not been taken according to the Section 159(1) of the Pradeshiya Sabha Act No.15 in 1987.

**(b) Garbage Tax**

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A Garbage tax balance of Rs.196,000 had been arrears for 02 years as at the end of the year under review.

**(c) Water Charges**

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- i. The Water Charges in arrears had been Rs.612,065 as at 01 January 2017 and the billing until 31 December 2017 had been Rs.573,053. Out of that it had been recovered Rs.248,069 and Rs.444,147 respectively as at 31 December 2017. It had been 40 per cent and 77 per cent as a percentage. The arrears as at 31 December 2017 had been Rs.492,902.
- ii. Water Charges from 341 consumers of 03 inactive water projects of Rs.290,569 had been arrears.

**2.2.4 Rent**

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- i. Rent from 52 Stalls had been arrears for 03 months to 02 years of Rs.861,381 had been arrears as at 31 December of the year under review and actions had not been taken to recover the arrears according to the paragraph 22 of the rent agreement relating to those stalls.
- ii. Even though new assessment report on 25 stalls owned by the Sabha had been received the rent had not been amended on that. Therefore, an income of Rs.383,940 had been lost for the Sabha.
- iii. According to the rent agreement it should receive a cash deposit of about three times the monthly rent should be kept from the stalls given on rent, 19 Stalls that had been amended the rent had not been taken 03 months amended deposits of Rs.110,880 had not been charged.
- iv. No.11 Stall in the Hatharaliyadda Shopping Complex had not been taken actions to give on rent from 01 January 2015 to 31 December 2017.
- v. Even though an outsider had been obtained the No.04 Stall Room of the Hatharaliyadda Shopping Complex without a proper authority and given on interim lease from August 2016 for a Computer Business actions had not been taken to acquire the stall back to the Sabha or make it legitimate. Therefore, a Gross income of Rs.36,000 had been lost for the Sabha.

## **2.2.5 Court Fines and Stamp Fees**

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Court Fines of Rs.1,000,000 and Stamp Fees of Rs.9,185,370 had been receivable as at 31 December of the year under review from the Chief Secretary and the other officers of the Provincial Council.

## **3. Operating Review**

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### **3.1 Performance**

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The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of 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) Not completing the Targeted Tasks**

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- i. The provisions allocated by the Expenditure Head No.304-4 for repairing roads and pavements under the Program No.03 of Rs.200,000 for the year under review had not been utilized for achieving the targets as at the end of the year under review.
- ii. The following observations had been made about the provisions allocated for Medical Supplies by the Program No.02.
  - a) Provisions of Rs.100,000 had been allocated under item of expenditure 203-3 for medical supplies it had been transferred to another item of expenditure without utilizing it for achieving the targets.
  - b) Provisions of Rs.200,000 had been allocated under item of expenditure 205-5 for Health programs but it had been used only Rs.23,576. That was 73 per cent as a percentage.
- iii. Even though Provisions of Rs.50,000 had been allocated for the Welfare payments for the year under review under the item of expenditure 602-2 under Program No.06 actions had not been taken to utilize the provisions to achieve the targets.

#### **(b) Solid waste Management**

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- i. Even though it had been separated as decay and non-decay garbage and collected a ton of garbage it had been disposed irregularly without using the decayed garbage for producing Compost Fertilizer.

- ii. Polythene and Plastic among the non-decayed garbage had been burnt within the garbage yard as to damage the environment without following a protective procedure.
- iii. Actions had not been taken to obtain a Environmental Protection License from Authority of Environment as at 03 April 2018 for the Dikoyawatta Land Garbage yard used to dispose garbage.

**(c) Corporate Plan**  
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A corporate plan had not been prepared for the year under review.

**3.2 Management Inefficiencies**  
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- (a) Actions had not been taken to settle, advances of Rs.39,956 given on 05 instances for multiple tasks and advances of Rs.883,334 had been given to the contractive institution to build the Shopping Complex in front of Galagedara Sujatha Balika Vidyalaya within a time frame of 3 to 9 years.
- (b) Actions had not been taken to charge the connection charges for new water supplies from 26 consumers of Rs.67,295 from the year 2014.

**3.3 Human Resources Management**  
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20 vacancies had been found between the approved and actual cadre as at 31 December 2017.

**3.4 Operational Inefficiencies**  
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- (a) According to section 21 of the Act No.41 of Urban Development Authority in 1978 after issuing development license for building houses and buildings a certificate of compliance should be obtained before residence it had been issued only 48 certificates of compliance out of 439 approved building plans from the year 2014 to 2017.
- (b) Tender Deposits of rs.5,562,370 from 15 tenders taken at once had been hold in the Deposits Account when leasing out the Stalls in the year 2013.

**3.5 Assets Management**  
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**3.5.1 Idle / Under-utilized Assets**  
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A laptop computer that could not be able to assess the value and a Rs.3,000 valued foot cycle had been remained idle for 06 to 28 years, A Motor Grader and 03 Motor Cycles valued of Rs.25,161,056 and a Interlock Stones making machine and a Block Stones making machine that could not be able to assess the value had been remained underutilize for 3 to 20 years.

### **3.5.2 Vehicle Utilization**

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02 vehicles had been run for 3,011 KM without certifying the signature signed by the officer using the vehicle on the running charts. Rs.49,717 had been spent for the fuel for it.

### **3.6 Uneconomic Transactions**

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Rs.2,309,526 had been spent for building the Shopping Complex in front of the Galagedara Sujatha Balika Vidyalaya from the year 2014 to 31 December 2017. The expected income from the building could not be obtained because of abandoning the construction and not completing the constructions properly. An interest of Rs.576,418 had been paid as at 31 December 2017 for the loan obtained of Rs.2,500,000 from the Local Loans and Development Fund, not receiving the Profits.

### **3.7 Identified Losses**

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Even though according to the decision No.08(xvi) taken at the Board Meeting it should charged 50 per cent out of the assessed lease rent for a year Agreements had been made on 01 January 2015 out of the decision for 05 years. Therefore charging the lease rent giving up the relief period and 50 per cent for the 2016 and 2017 a loss of Rs.1,522,600 had been caused on the sabha fund.

### **3.8 Procurement**

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#### **3.8.1 Procurement Plan**

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Even though Sabha had spent Rs.43,815,506 on Capital Expenditure A Procurement Plan had not been prepared.

#### **3.8.2 Contract Administration**

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- a) Payments had not been done as at 22 February 2018 on the contract finished developing the road to Dimbulkumbura through Kahatanga from Muthukeliyawa of Rs.1,947,334. Following matters had been observed.
  - i. Honey Comb features had been emerged at most places on the Concrete Surface spreads from the two sides to the interior of the road from the beginning to the end.
  - ii. The concrete mixture had been in a weak state when investigating it by breaking the concrete surface as it had been easily broke.
  - iii. According to the Quality Control Report of the Central Province Road Development Authority from 08 observations by 03 parts of the road, the value of compression at all the 08 places had been below 20 N/mm<sup>2</sup>.

- b) Payments had not been done on the contract finished developing the road to Namalthenna Gorakagahamula of Rs.1,977,569. Following matters had been observed.
- i. Honey Comb features had been emerged at most places on the Concrete Surface spreads from the two sides to the interior of the road from the beginning to the end.
  - ii. The concrete mixture had been in a weak state when investigating it by breaking the concrete surface as it had been easily broke.
  - iii. According to the agreement the concrete surface should be 6 inches thick but after investigating by breaking several places it had been 05 inches thick.
  - iv. Honey Comb Features had been emerged in the Concrete Drainage parallel to the road.
  - v. According to the Quality Control Report on the concrete surface obtained by the Central Province Road Development Authority by the Chemical Laboratory and the Hammer test by the Pathadumbara Pradeshiya Sabha the average quality of the concrete mixture had been below 18.2 N/mm<sup>2</sup> and 15 N/mm<sup>2</sup>. Therefore the concrete quality test had been failed.
- c) Payments had not been done on the contract finished developing the road to Kopyawatta 10<sup>th</sup> post Road of Rs.6,987,710. Following matters had been observed.
- i. The concrete of the bottom of the drainage constructed parallel to the road of 920m valued Rs.5,129,131 had been in a weak state that could be easily break. It could be observed a discoloured muddy sand mixture when investigating after breaking at several places.  $\frac{3}{4}$  Metal used for the concrete was in a state of easily crumbled.
  - ii. The Drainage constructed parallel to the road from the beginning to 300m had been constructed above the concrete surface 200mm to 370mm. therefore, it had not been fulfilled the need for a drainage because the rain water flow through the road could not be flowed through the drainage and had been flowed to the road.
  - iii. Honey Comb Features had been emerged on the bottom of the Drainage.
  - iv. A quality control test had not been carried out for the  $\frac{3}{4}$  metal used for the drainage construction.
- d) Rs.177,021 had been paid for the development of the Gallenawatta Iriweriyagala Road as at 29 December 2017. Honey Comb features had been emerged on the concrete surface of the above mentioned road from the beginning to the end and after breaking and



investigating the concrete was in a weak state as to sand and stones mixture could be easily break.

- e) Payments had not been done on the contract finished developing the garbage dump of the garbage dumped land of Rs.3,000,000 and the following matters had been observed.
- i. A weak state mixture of cement and sand mixture had been used for the pavement of the building constructed when investigating it after breaking.
  - ii. The pavement had been cracked on several places.
  - iii. Even though according to the work No. 5.3 of the estimate the thickness of the concrete on the floor of the building should be 5 inches it had been observed 04 inches by investigating after breaking. And also 02 inches of the surface of the concrete could be easily break.
  - iv. The above mentioned concrete put on the floor had been cracked horizontally and vertically on several places.

#### **4. Accountability and Good Governance**

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##### **4.1 Budgetary Control**

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It was observed that the budget had not been made use of as an effective tool of management as there had been observed variances between estimated items of revenue and expenditure and actual items of revenue and expenditure in 02 items of revenue of 24 per cent to 29 per cent and in 03 items of expenditure of 26 per cent to 217 per cent.

#### **5. Systems and Controls**

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Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time and special attention is needed in respect of the following areas of control.

<b>System</b>	<b>Deficiencies</b>
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(a) Budgetary Control	(i) Failure to spend the estimated provisions.
(b) Contract Administration	(i) Failure to make a sufficient supervision  (ii) Lot of deficiencies had been observed in the contracts finished.
(c) Revenue Control	(i) Not taking actions to recover the receivable income

- (ii) Failure to identify the units of income.
- (d) Assets Management
  - (i) Failure to identify all the assets owned by the Sabha with a sufficient survey.
  - (ii) Assets remained underutilized.
- (e) Debtors and Creditors
  - (i) Failure to take actions to make a regular procedure to settle the debtors and creditors balances.