

**Thambalgamuwa Pradeshiya Sabha**

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**Trincomalee District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

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The financial statements for the year 2017 had been presented for audit on 28 March 2018 and the report of the Auditor General for the year under review had been forwarded to the Chairman on 17 August 2018.

**1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Thambalgamuwa Pradeshiya Sabha give a true and fair view of the financial position 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**

**1.3.1 Accounting Deficiencies**

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The value of the public library constructed by the Sabha at a total cost of Rs.4,325,150 during the year under review had been entered as Rs.4,414,031 in the Land and Buildings Account and the Revenue Contributions to Capital Outlay Account resulting in an overstatement of land and buildings by Rs.88,881. Further, the policy adopted in computing the total value of the buildings had not been disclosed.

**1.3.2 Lack of Evidence for Audit**

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A register of fixed assets had not been maintained for land, buildings, plant and machinery, motor vehicles, carts and equipment valued at Rs.53,684,419. As such, the balances could not be confirmed in audit.

**1.3.3 Non-compliance with Laws, Rules, Regulations and Management Decisions**

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

**Reference to Laws, Rules, Regulations  
etc.,**

**Non - compliance**

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(a) 1988 Pradeshiya Sabha (Finance  
and Administration) Rules.

(i) Chapter IX  
Section 180

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Three officers who deal with cash, stores and cheques had been administratively entrusted with the work. However, the security deposits obtainable from them had not been determined and recoveries made accordingly.

(ii) Chapter X  
Section 193

The actual revenue and expenditure of the year had not been compared with the budgeted revenue and expenditure for preparation and submission of explanations for variations to be forwarded to the Auditor General.

(b) Provincial Treasury Circular  
No.PTA/2017

The maximum purchases that could be made by a Pradeshiya Sabha is limited to Rs.500,000. However, furniture for Rs.621,380 had been purchased on 16 November 2017 for which 2 separate quotations had been called for. The amounts were Rs.230,500 and Rs.380,880 respectively.

**2. Financial Review**

**2.1 Financial Results**

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.2,719,558 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.393,131 showing an improvement in financial results by Rs.2,326,427.

## 2.2 Revenue Administration

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

The 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.

Item of Revenue	2017				2016			
	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.
Rent	11,019	6,502	6,348	153	9,157	8,187	8,184	3
Licence Fees	1,250	1,024	1,024	-	930	990	990	-
Other Revenue	2,321	2,141	1,906	235	1,056	361	361	-

## **2.3 Rates and Taxes**

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Action had not been taken to identify and assess the values of immovable properties within the area of the Sabha so as to recover rates and taxes accordingly in terms of Section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987.

## **2.4 Stamp Fees**

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Action had not been taken to compute the stamp fees due for the years 2016 and 2017 and to make recoveries from the Registrar General.

## **3. Operating Review**

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### **3.1 Performance**

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#### **(a) Solid Waste Material Management**

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Garbage collected within the area of the Sabha had been disposed of, at the Palampota Aru area. The elephants in the area consume these garbage endangering their lives.

#### **(b) Sustainable Development Target**

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Although the Sabha had identified the objectives and targets referred to in the Sustainable Development Target Act No.19 of 2017, it had not prepared an agenda for the sustainable Development achievable in 2030.

### **3.2 Management Inefficiencies**

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The following matters were observed.

(a) The Sabha had obtained a loan of Rs.11,999,424 from the Local Loans and Development Fund in 2012 to construct the office building. The sabha had not taken action up to now to settle the loan together with the interest of Rs.3,290,367.

(b) Nine receipt books issued by the Sabha in 2013 and 2014 had been misplaced during 2015. The money collected had not been handed over to the Sabha by the officer in charge of receipts. Disciplinary action had not been taken against the officer concerned in terms of Provincial Financial Rules 71.3 so as to determine the loss and make recoveries accordingly.

### **3.3 Human Resources Management**

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Action had not been taken to recover the sum of Rs.18,527 due from employees of the Sabha who had gone on transfers/vacated posts or to recover it from the sureties concerned.

### **3.4 Assets Management**

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#### **3.4.1 Idle Assets**

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The following observations were made.

- (a) Two motor cycles of the Sabha which could be repaired and used remained idle for 03 years.
- (b) The Thambalagamam market building belonging to the Sabha had been repaired on 23 December 2015 by spending Rs.531,996. But, this remained idle till 02 May 2018.

#### **3.4.2 Annual Board of Survey**

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Action had not been taken up to 02 may 2018 to sell 33 items of goods, to repair 11 items of goods and to destroy 06 items of goods as recommended by the board of survey of 2016.

### **3.5 Uneconomic Transactions**

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Contributions to the Employees' Trust Fund should be remitted to the Fund before end of the respective month in terms of the Employees' Trust Fund Act No.46 of 1980. However, the contributions of Employees' Trust Fund of employees of the Sabha for the period January 2012 to April 2016 had not been remitted accordingly. As such, surcharges amounting to Rs.52,673 had been paid.

### **3.6 Procurement**

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#### **3.6.1 Procurement Plan**

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The Sabha had not prepared a procurement plan for the year under review in terms of the Circular No.128 of 24 March 2006 of the Department of National Budget.

#### **3.6.2 Contract Administration**

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##### **Construction of the Market Building**

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The following observations were made with regard to the contract for construction of the marketbuilding for Rs.10,743,042 under the Programme for Strengthening of Pradeshiya Sabhas of the Ministry of Provincial Councils and Local Government.

- (i) Work estimated at Rs.3,277,422 had not been completed as at 23 March 2018, the date of audit. However, the work had been certified as completed by the officers responsible.

- (ii) This work which should have been completed by 22 January 2018 had not been completed by the contractor even by 23 March 2018, the date of audit. Demurrages amounting to Rs.537,152 had not been recovered from the contractor.

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

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

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Variances ranging from 12 to 80 per cent were observed between the budgeted and actual expenditure showing that the budget had not been utilized as an efficient instrument of management control.

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

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Special attention is needed in respect of the following areas of systems and controls.

<b>System and Control</b>	<b>Matters Requiring Attention</b>
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(a) Fixed Assets Control	(i) Maintenance of a register of fixed assets
	(ii) Action to be taken to use the idle assets of the Sabha.
(b) Revenue Administration	Action to be taken to collect arrears of revenue.
(c) Contract Administration	(i) To follow procurement procedures for contracts
	(ii) To follow the circular instructions of the Finance Commission while awarding contracts to community centres.