

Thumpane Pradeshiya Sabha
Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to the audit on 28th of February 2020, while the Summary report of Auditor General on these financial statements had been forwarded to the chairman on 26th May 2020 and the detailed management report on 30th June 2020.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for the qualified opinion section of my report, Financial statement gives a true and fair view of the financial position of the Thumpane pradeshiya Sabha as at 31st December 2019 and its financial performance for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the Qualified Opinion

1.3.1 Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Fixed assets purchased for Rs.666,325 had not been capitalized.	It should be accounted correctly.	Action will be taken to correct.
(b) Rs.2,349,607 cost incurred on renovation of garbage yard and development of water project had not been capitalized.	It should be accounted correctly.	Action will be taken to correct in the future.
(c) Receivable stamps duties of Rs.7,836,120 had not been taken to accounts.	It should be accounted correctly.	It will be corrected through journal entries.
(d) Opening balance of miscellaneous deposit account had been overstated by Rs.414,166.	It should be accounted correctly.	Action will be taken to correct source documents.

1.3.2 Non Reconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
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There was a difference of Rs.7,632,339 between the balance of 02 Items of account and source documents.	Differences should be identified and corrected.	It will be corrected in future and report for Audit.

1.3.3 Receivable and Payable Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) <u>Accounts Receivable</u> The total value of accounts receivable over 05 year was Rs. 102,400 and the balance of receivable for the period of 1 to 5 years was Rs. 1,445,526.	Receivable balance should be recovered.	Action will be taken to recover the arrears and take other action in the future.
(b) <u>Accounts Payable</u> The total value of accounts payable between 1 to 5 years was Rs. 6,456,462.	Payments should be settled.	Part had been settled and balance will be settled in the future.

1.3.4 Lack of Necessary Documentary Evidence for AuditNon Presentation of Information

Audit Observation	Recommendation	Comments of the Accounting Officer
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Source documents, time analysis, balance list ect.. for 04 subjects of Accounts amounting to Rs.1,025,187 had not been presented for Audit.	Evidences that verify the account balances in financial statement should be presented.	Corrections will be done in the year of 2020.

1.3.5 Non Compliance1.3.5.1 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) Parliament Act -----			
(i) Pradeshiya Sabha Act No.15 of 1987. -----	Assessment tax had not been collected from 190 properties for a period of 01 to 06 years.	Act in accordance with the sentence of the Act.	Local government commissioner will be informed and action will be taken to recover.
(ii) Provisions of Gazette notification No: 1533/16	31 expired environment protection licence had	Act in accordance with	Action will be taken in the future.

dated 25th February 2008 published in accordance with the provisions of the National Environment Act. not been renewed. the provision of relevant Gazette notification.

(b) Financial regulations of Democratic Socialist Republic of Sri Lanka.

F.R.. 571(3)

Action had not been taken to refund the deposits that elapsed for 02 years and valued at Rs.871,347 or transferred to income.

Financial regulation should be followed.

Action will be taken to refund or take to income in the future.

(c) Other Circulars

1988 Pradeshiya Sabha (Financial and Administration) rules

Rule 218

Lands and buildings had not been inspected once a year.

Pradeshiya Sabha rules should be followed.

A survey was carried out and action will be taken to update the documents.

2. Financial Review

2.1 Financial Results

According to the financial statement presented, excess of revenue over recurrent expenditure for the year ended 31st December 2019 amounted to Rs.5,998,936, as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.11,929,746.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Collected Revenue and Revenue in Arrears

The details of Estimated Revenue, billed Revenue, collected Revenue and Arrears of revenue for reviewed year and preceding year are as follows.

Revenue source	Estimated Revenue	billed Revenue	Collected Revenue	Arrears as at 31 st December	Estimated Revenue	billed Revenue	Collected Revenue	Arrears as at 31 st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and taxes	2,744,000	2,859,850	2,836,882	1,455,125	4,052,000	4,812,161	3,643,817	2,847,123
(ii) Rent	4,595,000	4,742,053	4,785,104	661,500	4,973,000	5,232,842	4,691,325	704,552
(iii) Licence fee	1,530,000	1,633,627	1,633,627	--	2,695,500	2,409,146	2,469,146	--
(iv) Other income	9,642,000	1,071,445	27,001,951	3,074,387	9,909,000	12,063,083	5,487,167	17,944,713
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Total	18,511,000	10,306,975	36,257,564	5,191,012	21,629,500	24,577,232	16,291,455	21,496,388

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Rates		
Four property units had been identified for prohibition on assessments of Rs. 190,361 to be recovered, but such action had not been taken.	Action should be taken to recover the arrears	Could not function as expected as the staffs were not adequate.
(b) Garbage Tax		
Revenue of Rs.623,120 due at the end of the year under review had not been collected	Action should be taken to recover the arrears.	Action will be taken to recover the arrears in the future
(c) Water Charges		
The water charges of Rs. 345,974 due at the end of the year under review had not been collected	Action should be taken to recover the arrears.	Necessary action will be taken to recover in the future.

2.2.3 Other Income

Audit Observation	Recommendation	Comments of the Accounting Officer
At the end of the year under review, three wheeler charges of Rs.1,287,773 had not been collected.	Action should be taken to recover the arrears.	Action will be taken to recover through mobile services and three wheeler associations.

2.2.4 Court Fines and Stamp Duties

Audit Observation

Recommendation

Comments of the Accounting Officer

 The receivable court fines and the stamp duty as at 31st December 2019 were Rs.1,440,678 and Rs. 7,836,120 respectively.

 Receivables should be collected

 Action will be taken to bring the money in the future.

3. Operating review3.1 Performance

Following matters were revealed with regard to duties to be fulfilled by sabha as per the Section 3 of the Pradeshiya sabha Act, in relating to regulation and control of all the matters relating to Public health, Public utility services and public highways, comfort, convenience and welfare of the people.

Vacated Affairs

Audit Observation

Recommendation

Comments of the Accounting Officer

 The project of constructing a shopping complex in front of Sujatha Balika Vidyalaya at a cost of Rs. 2,076,510 had been abandoned.

 The project must be properly executed and completed.

 Action will be taken to finalize immediately, on the agreement of both parties with the contractor.

3.2 Management Inefficiencies

Audit Observation

Recommendation

Comments of the Accounting Officer

 As the warrant fees of Rs.103,289 for the second and third quarters had not been billed, the council had lost a revenue receivable.

 Receivables should be accurately identified.

 The fee could not be charged due to an error in the Pura Neguma software.

3.3 Human Resource Management

Audit Observation

Recommendation

Comments of the Accounting Officer

Employee Vacancies and Excess

 As at 31 December 2019, there were 15 vacancies in the approved work force in the Council.

 Action should be taken to complete the approved staff.

 The Commissioner of Local Government has been informed and appropriate

action will be taken in the future.

3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) It had not been acted as per the agreement for 33 contracted companies which had not paid garbage tax for a period of 04 months to 26 months.	It should act in accordance with the agreement	Action will be taken to collect the arrears and report the progress.
(b) As per the terms of the lease agreement relating to the lease of Sarath Amunugama Public Market, no action had been taken with respect to 14 business premises which had been closed for more than 03 months.	It should completed with the agreement.	As the Urban Development Authority has not formally handed over this land to the Council, it has not been able to take possession.

3.5 Asset Management

3.5.1 Failure to Register Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
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07 water projects were not mentioned under lands and buildings register.	Assets should be properly identified and documented	Action will be taken on the assessment given by the Valuation Department.

3.5.2 Failure to Obtain Income due from Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
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No action had been taken to collect revenue from the 47 shops in the Sarath Amunugama shopping complex during the last 05 years	Action should be taken to benefit from the assets.	No comments.

3.5.3 Idle and Underutilized Assets

Audit observation	Recommendation	Comments of the Accounting Officer
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Fifteen fixed asset items valued at Rs.695,559 had been idle and	Maximum benefits should be obtained by	Action will be taken to auction off these items under the Board

underutilized between 02 years to 19 years.

the assets.

of Survey 2019.

3.6 Procurement

3.6.1 Procurement Plan

Audit Observation

Recommendation

Comments of the Accounting Officer

Capital expenditure of Rs.74,703,059 was incurred during the year but no procurement plan was prepared.

A procurement plan should be prepared.

Action will be taken to prepare a procurement plan in the future.

3.6.2 Contract Administration

Audit Observation

Recommendation

Comments of the Accounting Officer

According to the preliminary estimate of the bridge and road development industry across Wettewa Hapugoda to Madige, the contractor was overpaid by Rs.77,726 for an unfinished handrail.

Payment should only be made for works completed.

The contract will be informed and take action to prepare the handrail.

4. Accountability and Good Governance

4.1 Unresolved Observations and Unanswered Audit Queries

Audit Observation

Recommendation

Comments of the Accounting Officer

2018 – 3.1(a)(ii)

The Cement Paving Project, which was started in 2010 at a cost of Rs. 350,000, had been abandoned since 2014.

Project should be implemented properly..

Action will be taken to obtain bids through the Valuation Department and auction them.