

**Thihagoda Pradeshiya Sabha**  
**Matara District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented for audit on 19 June 2013 and the financial statements for the preceding year had been presented on 15 July 2012. The report of the Auditor General for the year under review was furnished to the Chairman of the Sabha on 31 December 2013.

**1.2 Opinion**

In view of the comments and observations appearing in my report, I do not express an opinion on the financial statements of the Thihagoda Pradeshiya Sabha for the year ended 31 December 2012 presented for audit.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

- (a) Lands 01 acre 02 roods and 25 perches in extent and buildings according to the Register of Fixed Assets had not been valued and disclosed in the financial statements for the year under review.
- (b) The pensionary contribution amounting to Rs.1,460,860 payable according to the Pensions Bill for the year under review had not been brought to account under the creditors.
- (c) After the deduction of a sum of Rs.61,466,558 representing the stamp fees. Court funds, street lamps maintenance and works grants from the value of sundry debtors amounting to Rs.76,879,754 according to the balance sheet as at the end of the year under review, the remainder amounted to Rs.15,413,196. Nevertheless the debtors schedule amounted to Rs.3,151,131 thus indicating a difference of Rs.12,262,065.

(d) According to the Register of Creditors as at 01 January 2012 the sundry creditors (works) amounted to RS.21,418,647 whereas according to the Main Ledger, that amounted to Rs.9,903,188. Thus a difference of Rs.11,515,459 was indicated.

### **1.3.2 Suspense Account**

The credit balances of the Suspence Account amounting to Rs.2,382,841 shown in the balance sheet as at 31 December of the preceding year had been brought forward as at 31 December 2012 without being settled.

### **1.3.3 Unreconciled Control Accounts**

The balance of Control Accounts relating to 11 items of account amounted to Rs.132,110,704 whereas according to the subsidiary registers/schedules, the balances totaled Rs.137,679,412. Thus the difference amounted to Rs.5,568,708.

### **1.3.4 Accounts Receivable and Payable**

The balance of accounts receivable older than one year as at 31 December 2012 amounted to Rs.15,366,938 and the balances of accounts payable older than one year amounted to Rs.5,233,811.

### **1.3.5 Lack of Evidence for Audit**

Ten items of accounts valued at Rs.148,235,973 included in the accounts could not be satisfactorily vouched in audit due to the unavailability of evidence.

## **2. Financial and Operating Review**

### **2.1 Financial Results**

According to the financial statements presented, the excess of revenue over the recurrent expenditure for the year ended 31 December 2012 amounted to Rs.6,346,938 as compared with the corresponding excess of revenue over recurrent expenditure amounting to Rs.6,183,867 for the preceding year.

## **2.2 Revenue Administration**

### **2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

The information on the estimated revenue, the actual revenue and the arrears of revenue relating to the year under review presented by the Chairman is given below.

	Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.'000	Rs.'00
(i)	Rates and Taxes	2	305	148
(ii)	Lease Rent	--	1,214	299
(iii)	Licence Fees	56	266	83
(iv)	Other Revenue	92,445	9,245	6,969

### **2.2.2 Court Fines and Stamp Fees**

The moneys receivable as at the end of the year under review from the Chief Secretary of the Provincial Council and other authorities are given below.

(i)	Court Fines	Rs. 717,179
(ii)	Stamp Fees	Rs. 5,700,000

### **2.2.3 Arrears of Lease Rent and Licence Fees**

Action in terms of provisions in Sections 158 and 159 of the Paradeshiya Sabha Act, No.15 of 1987 had not been taken for the recovery of the lease rents and the licence fees amounting to Rs.1,031,843 receivable to respect of the year under review and the preceding year.

#### **2.2.4 Trade Stall Rents**

The following matters were observed.

- (a) Lease rent amounting to Rs.333,313 from the trade stalls of the Sabha and rent amounting to Rs.66,000 from the Health Services Office had been in arrears as at the end of the year under review.
- (b) Agreements for the year 2012 had not been entered into in connection with 16 trade stalls at Thihagoda and lease rent amounting to Rs.129,021 from 05 trade stalls had been in arrears as at the end of the year under review.
- (c) Agreements for the year 2012 had not been entered into in connection with the trade stalls of the New Trading Complex at Yatiyana. Key money amounting to Rs.124,150 from trade stall No.09 and lease rent amounting to Rs.10,750 from the trade stall Nos.13, 14 and 15 had been in arrears as at the end of the year under review.
- (d) According to the letter No.SLG/CLG/2010/01 dated 01 January 2011 of the Southern Provincial Commissioner of Local Government, every agreement should be updated once in three years. But it had not been so done in connection with the trade stalls at Thihagoda.

#### **2.2.5 Water Rates**

The following matters were observed.

- (a) The number of consumers supplied with water from the Water Supply of the Sabha is 202 and water amounting to Rs.401,800 had been in arrears as at the end of the year under review.
- (b) Even though the Sabha had spent a sum of Rs.534,517 on the Water Supply Project in the year under review, only a sum of Rs.289,438 had been received as the water rates. As such the Sabha had to incur additional expenditure amounting to Rs.245,079.

### **2.2.6 Licence Fees**

- (a) The arrears as at 31 December 2012 amounted to Rs.83,178.
- (b) In terms of provisions in Section 213 of the Pradeshiya Sabha Act, No.15 of 1987 cases should be filed before the expiry of the first six months of the year against the businesses which had not obtained trade licences. Nevertheless, cases had not been filed agreement the businesses which had failed to obtain from licences for the year 2012.
- (c) According to the Registers of Registration of Businesses of the Thihagoda Divisional Secretariat 48 new businesses that had obtained in Certificates of Registration of Businesses in the year under review. But those businesses had not been recorded in the Register of Trade Licences while the licence fees recoverable from those had also not been recovered.

### **2.3 Contract Administration**

The Sabha had received a sum of Rs.80,255,518 in the year under review as capital grants and a sum of Rs.85,564,516 had been spent under the Provincial Specific, Maga Naguma, Gama Neguma. Decentralized Funds and the Sabha Funds.

The following observations are made.

- (a) The estimates on the paving of cement concrete blocks on roads did not include the commencing and ending points of work on the roads.
- (b) Even though the construction works had been awarded direct to the Samurdhi Societies a formal certificate in supports of the capacity of the Societies to carry out the work had not been obtained.
- (c) The certificates of the Grama Niladharies required for the construction of roads from the Gama Neguma and Maga Neguma Funds had not been obtained.
- (d) The agreements on the construction works had not been signed by the Secretary of the Sabha while only the Chairman had signed. The copies of contract agreements had not been furnished to the Auditor General.

## **2.4 Operating Inefficiencies**

- (a) As the Street Lamps Operator had not included the particulars of installation and repair of street lamps in a manner to identify them specifically in the reports submitted by him it was not possible to establish that the 757 lamps issued had been actually installed.
- (b) The balances of staff loans and advances recoverable as at 31 December 2012 totalled Rs.990,751 and that balance included a sum of Rest 42,270 recoverable from 04 officers and employees transferred out.

## **2.5 Human Resources Management**

The following observations are made.

- (a) According to the Management Services Circular No.28 of 10 April 2006, the prior approval of the Department of Management Services should be obtained for the filling of vacancies in the important posts according to the exigencies of services. Nevertheless, three employees recruited without obtaining such approval and had paid a sum of Rs.333,492 in the year under review as salaries from the Sabha Fund.
- (b) According to the letters dated 01 February 1997 and 14 March 2002 issued by the Secretary to the Provincial Public Service Commission on the delegation of duties in terms of provisions in the Provincial Councils (Amendment) Act, No.28 of 1990 the powers of appointment of institutional employees of Local Authorities are delegated to the Secretary of the respective Sabha subject to covering approval of the Commissioner of Local Government. Nevertheless, the above mentioned appointments on substitute and contract basis had been made by the Chairman.

## **2.6 Internal Audit**

An adequate internal audit of the Sabha had not been carried out. The Audit and Management Committee had not been established.

**3. Systems and Controls**

The special attention of the Sabha is needed in respect of the following areas of controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management