

**Thalawa Pradeshiya Sabha**  
**Anuradhapura District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 02 April 2013 and the financial statements for the preceding year had been presented on 25 April 2012. The report of the Auditor general for the year under review was issued to the Chairman of the Sabha on 27 September 2013.

**1.2 Opinion**

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Thalawa Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report. the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Thalawa Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations for the year then ended.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

- (a.) The value of machinery, motor vehicles and carts and furniture and equipment totaling Rs.1,601,322 had not been accounted as fixed assets.
- (b.) The loan balance payable as at 31 December 2012 to the Local Loans and Development Fund had been understated in the financial statements by Rs.4,126,958.
- (c.) The balance stock of building materials amounting to Rs.79,720 as at 31 December of the year under review had been shown as expenditure for the year without being shown as balance stock.

- (d.) Revenue contribution to capital outlay account as at 31 December of the year under review had been understated by Rs.2,185,364.
- (e.) Capital aid amounting to Rs.45,628,654 received in respect of the works competed during the year under review had been credited to the deposits account, instead of being credited to the income and expenditure account.
- (f.) The ownership was not with the Sabha of the stock valued at Rs.30,069 shown in the accounts as field stores and the stall valued at Rs.25,000 shown under land and building.

### **1.3.2 Unreconciled Accounts**

According to the financial statements, the total of the balances relating to 05 items of assets/ liabilities amounted to Rs 65,058,924 and according to the subsidiary registers/ records, the total of the balances of those accounts amounted to Rs.67,109,998 showing a difference of Rs.2,051,074. The particular reasons for this difference had not been submitted to audit.

### **1.3.3 Lack of Evidence for Audit**

Five items of assets totaling Rs.84,732,350 and 04 items of liabilities totaling Rs.38,434,140 could not be satisfactorily verified in audit due to the non-submission of required information to audit.

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

### **2.1 Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.12,052,494 as compared with the excess of revenue over recurrent expenditure amounting to Rs.8,437,178 for the preceding year.

## 2.2 **Financial Control**

The following deficiencies in financial control were observed.

- (a.) A total sum of Rs.1,398,550 had been paid at 117 instances during the year under review without certifying the vouchers in contrary to the provisions of Rule No.99 of the Pradeshiya Sabha (Financial and Administrative) Rules of 1988.
- (b.) Officers having custody of money and stores and the officers carrying out duties relating to revenue had not kept security deposits as fixed by the Chairman in terms of Rule No.180 of the Pradeshiya Sabha (Financial and Administrative) Rules of 1988.
- (c.) Action had not been taken to take the unclaimed lapsed deposits over 02 years amounting to Rs.254,500 to revenue in terms of Financial Regulation 571(2) of the Republic of Sri Lanka.

## 2.3 **Revenue Administration**

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

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

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	7,374	9,446	9,182
(ii.) Lease Rent	15,231	6,707	2,270
(iii.) Licence Fees	1,274	1,545	182
(iv.) Other Revenue	10,203	16,827	3,751

### 2.3.2 **Rates and Taxes**

Action had not been taken to recover rates and taxes recoverable amounting to Rs.9,182,346 as at 31 December 2012.

### **2.3.3 Lease Rent**

Action had not been taken to recover the stall rent in arrears amounting to Rs.2,270,045 as at 31 December 2012.

### **2.3.4 Other Revenue**

A sum of Rs.66,257 due in respect of 26 hoardings displayed within the area of the Sabha during the year under review, had not been recovered.

### **2.3.5 Court Fines and Stamp Fees**

Revenue from court fines recoverable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.3,312,645. Revenue from stamp fees receivable for the period 2008 to 2012 had not been ascertained and shown in the financial statements.

### **2.4 Idle and Underutilized Physical Resources**

The following assets belong to the Sabha had been idling without using for any purpose.

<u>Asset</u>	<u>Quantity</u>	<u>Value</u>
		Rs.
Motor Vehicles and Carts	02	800,555
Land and Buildings	02	1,457,642
Building Materials	-	411,000

### **2.5 Transactions Not Supported by Adequate Authority**

According to Section 132(j) of the Pradeshiya Sabha Act No.15 of 1987, the approval of the Minister-in-charge of the subject should be obtained for functions with public interest or religious, charity, cultural, health, entertainment or educational activities exceeding a total expenditure of Rs.1,000 per year. But, such approval had not been obtained for such expenditure totaling Rs.305,000 incurred at 05 instances.

**2.6 Operating Inefficiencies**

The following observations are made.

- (a.) Lease agreements for old trade stalls owned by the Sabha had not been renewed on due dates and therefore, the Sabha had lost the ownership of a stall valued at Rs.25,000.
- (b.) The Sabha had suffered a loss of Rs.42,644 due to lease out the trade rights less than the minimum bid, contrary to the provisions of Paragraph VII of the Circular No.LG/3 dated 30 December 1989 of the Commissioner of Local Government.
- (c.) A stock of cement valued at Rs.358,555 purchased for direct labour works and remained unused had been expired.
- (d.) Action had not been taken to recover the loan balance of Rs.66,211 due for over 03 years from 03 officers left the services and deceased.

**3. Systems and Controls**

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

- (a.) Revenue Administration
- (b.) Assets Management
- (c.) Debtors and Creditors Control