

## Thawalama Pradeshiya Sabha

### Galle District

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 27 March 2014 while Financial Statements relating to the preceding year had been submitted on 28 March 2013. The Auditor General's Report relating to the year under review was issued to the Chairman on 22 December 2014.

##### **1.2 Opinion**

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 Thawalama Pradeshiya Sabha as at 31 December 2013 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 Non-compliance with Public Sector Accounting Standards**

Following observations are made.

- (a.) Although Local Authorities should prepare the financial statements according to the Sri Lanka Public Sector Accounting Practices with effect from 01 January 2011, in terms of circular No.PED/54 dated 19 January 2010 of the Director General of Public Enterprises, those standards had not been followed.
- (b.) The Cash Flow Statement had not been submitted together with the financial statements for the year under review.

###### **1.3.2 Accounting Policies**

Accounting Policies followed by the Sabha had not been disclosed together with the financial statements.

###### **1.3.3 Accounting Deficiencies**

Following observations are made.

- (a.) Fixed Deposits Interest amounting to Rs.25,830 relevant to the preceding year had been shown as Revenue for the year under review in the financial statements.
- (b.) Value of 16 calculators amounting to Rs. 14,225 provided to the officers had been capitalized under Office Equipment.
- (c.) Provision had not been made in the financial statements for Pension Contributions Payable to the Department of Pensions on behalf of the Retired Local Government Employees amounting to Rs. 1,970,647 as at 31 December of the year under review.

###### **1.3.4 Suspense Account**

Action had not been taken to identify and adjust the debit balance of Rs.18,428 in the Suspense Account as at 31 December of the year under review.

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

Updated Register of Fixed Assets connected with Land and Buildings valued at Rs.23,156,587 shown in the financial statements and Board of Survey Reports, were not furnished to audit.

## **2. Financial and Operating 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 2013 amounted to Rs.379,708 as against the excess of recurrent expenditure over revenue for the preceding year amounted to Rs.2,464,624.

### **2.2 Revenue Administration**

#### **2.2.1 Acreage Tax**

Action in terms of Section 158 of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover Acreage Tax amounting to Rs. 72,555 due to be recovered to the Pradeshiya Sabha during the year under review and preceding years.

#### **2.2.2 Court Fines and Stamp fees**

Courts Fines amounting to Rs. 468,420 and Stamp Fees amounting to Rs.1,580,940 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31December 2013.

#### **2.2.3 Stalls Lease Rent**

Following matters were observed at the audit inspection carried out with regard to 13 stalls in the Batahena Trade Complex.

- (i.) Although it had been stated that all agreements should be up dated once in three years according to Paragraph 5 of the Circular No. SCLG/2010/1 dated 27 December 2010 of the Southern Province Commissioner of Local Government, 12 stalls belong to the Sabha had been carrying on without agreements as at 10 March 2014, date of audit.
- (ii.) Although it had been stated according to Paragraph 6 of the Circular mentioned above, that Lease Rent should be re-assessed at least once in 05 years, it was observed that a Lease Rent decided more than 09 years ago had been recovered from all the stalls.
- (iii.) According to condition 19 of the agreement, it is stated that Sabha has the sole right to get back the possession of the property, if the payment of lease rent on the due date is in continuously defaulted for three months by taking action in accordance with the Pradeshiya Sabha Act. However, such action had not been taken with regard to 04 stalls defaulted in payment of Lease Rent for more than 06 months.
- (iv.) Although it had been stated in the agreement that the lessee should not sub-lease the right to enjoy the property or part of it to another party, 03 stalls in the first floor had been sub -leased.

- (v.) Although it had been stated in the agreement that any change, addition of a new part, new construction or any alteration cannot be made without a written approval of the Sabha, alterations had been made in 02 stalls.
- (vi.) It has been stated that in the event of breach of any condition, the Sabha has the full authority to take over the stalls after giving one month's notice. However, such action had not been taken with regard to any lessee who breached the conditions.
- (vii.) Lump sum money amounting to Rs. 540,000 was outstanding to be recovered from 08 stalls of the Market Complex as at 11 March 2014, date of audit.

### **3. Operational Review**

#### **3.1 Management Inefficiencies**

According to the requirements of the Declaration of Assets and Liabilities Act No. 01 of 1975 as amended by Act No. 74 of 1988, Declarations of Assets and Liabilities should be furnished by all the Members including the Chairman, Vice Chairman. However, Declaration of Assets and Liabilities had not been furnished by the Chairman, Vice Chairman and 07 Members for the years 2011, 2012 and 2013 up to 07 March 2014, date of audit.

#### **3.2 Operating inefficiencies**

Following observations are made.

(a.) Payment of Members Allowance

In terms of the Extra Ordinary Gazette Notification No. 1413/15 dated 05 October 2005 of the Sri Lanka Democratic Socialist Republic of Sri Lanka, it had been stated that allowance cannot be paid to Chairman, Vice chairman and Members of a Pradeshiya Sabha in instances when Members are on leave with the approval of the Sabha except in instances where Members have not attended the Sabha Meetings and committee meetings relevant to the month of payment of allowances or on medical grounds. However, a sum of Rs. 46,500 had been paid to 05 Members contrary to those provisions.

(b.) Staff Loans

Action had not been taken to recover loan balances amounting to Rs. 187,509 outstanding to be recovered from 11 employees who had left on transfers, retired and vacated posts.

#### **3.3 Idle Assets**

It was observed in the audit inspection carried out on 11 March 2014 that two vehicles valued at Rs. 1,944,050 and the concrete mixing machine valued at Rs. 185,000 belong to the Sabha had remained idle over a period ranging from 02 to 04 years.

**3. Systems and Controls**

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Revenue Administration
- (d.) Assets Management