

**Thumpane Pradeshiya Sabha**

**Kandy District**

**1. Financial Statements**

**1.1. Presentation of Financial Statements**

The financial statements for the year under review had been presented for audit on 09 April 2014 and the financial statements for the preceding year had been presented on 02 April 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 23 December 2014.

**1.2. Opinion**

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Thumpane Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations for the year then ended.

**1.3. Comments on Financial Statements**

**1.3.1. Accounting Policies**

Accounting policies had not been revealed with financial statements.

**1.3.2. Accounting Deficiencies**

The following deficiencies are observed.

- a) The Motor Cab bearing number 52-6571 received from the Chief Secretary, and Motor Bicycle bearing number MO 4949 received from Community Water and Sanitary Project, had not been vested with the Sabha and had not been valued and brought to account.
- b) The Motor Car bearing number 301-5762 valued at Rs.2,300,000, received from the Chief Ministry had not been vested with the Sabha and had not been brought to account.
- c) The water charges in arrears as at 31 December in the year under review, amounting to Rs.568,084, had been brought to account as Rs.359,027 in the balance sheet, understating the amount by Rs.209,057.

### **1.3.3. Un-reconciled Control Accounts**

The comparison of the balances according to control accounts and the balances according to relevant schedules in respect of 06 items of accounts, revealed differences amounting to Rs.7,310,394.

### **1.3.4. Accounts Receivable**

The value of 04 balances of accounts receivable as at 31 December 2013 amounted to Rs.2,576,495 and out of this, total balances over 1 year, amounted to Rs.1,257,586. From this balance, a sum of Rs.66,169 was further overdue as at 30 September 2014.

### **1.3.5. Non-compliance of Laws, Rules and Regulations**

Electrical Accessories valued at Rs.412,876 had not been taken for the verification of goods, according to F.R. 756 of the Financial Regulations of the Republic of Sri Lanka.

## **2. Financial 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 2013 amounted to Rs. 1,622,755, as compared with the excess of revenue over recurrent expenditure amounting Rs.3,195,460 for the preceding year. Therefore the financial result had been deteriorated by Rs.1,572,705.

### **2.2. Analytical Financial Review**

The surplus for the year under review had been decreased by Rs.1,572,705, as compared with the surplus for the preceding year. The primary causes for this had been the decrease in rates and taxes by 6.42%, as well as increase in 08 items of expenditure inclusive of, supplies and equipment by 37%, expenditure on repair and maintenance of capital assets by 113%, and donations by 39%.

### **2.3. Working Capital Management**

The ratio between total current assets and current liabilities was 1: .74, and the ratio in the preceding year was 1:60, and it was not in a superior level. Further, 83% of total current assets amounting to Rs. 28 million represent works and sundry debtors, whilst 59% of total current liabilities amounting to Rs. 26 million represent works and sundry creditors.

## **2.4. Revenue Administration**

### **2.4.1. Lease Rentals**

The lease rental balance receivable as at 31 December 2013 amounted to Rs.251,141, and of this Rs.50,169 was further overdue as at 30 September 2014.

### **2.4.2. Water Charges**

The arrears at the beginning of the year under review amounted to Rs. 506,554 and the arrears at the end of the year amounted to Rs.359,027. Though the recovery of arrears had remained at a weak state of 59%, the Sabha had not implemented a systematic procedure to recover this money.

## **3. Operating Review**

### **3.1. Performance Evaluation**

According to the information presented, a sum of Rs.17,553,223 had been incurred to achieve objectives of 05 projects, but the government contribution and other revenue sources represent only 41% , amounting to Rs.7,306,913.

### **3.2. Operating Inefficiencies**

260 books valued at Rs.43,055 relevant to 05 libraries in the area under authority of the Sabha, had been borrowed by members and action had not been taken to collect them back.

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

### **4.1. Corporate Plan**

A corporate plan had not been prepared for the Sabha in the year under review.

### **4.2. Procurement Plan**

Though capital expenditure of Rs.37,404,983 had been incurred by the Sabha, a procurement plan had not been prepared for the year under review.

### **4.3. Audit and Management Committees**

Audit and Management Committee meetings had not been held, as Audit and Management Committees of the Sabha had not been established during the year under review.

**4.4. Internal Audit**

Though Internal Audit Officer had been appointed, adequate audit had not been carried out.

**5. Systems and Controls**

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

- a) Accounting
- b) Revenue Administration
- c) Contract Administration