

THAMBALAGAMAM PRADESHIYA SABAH
TRINCOMALEE DISTRICT

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year under review had been presented to audit on 06 July 2015 and the Financial Statements for the previous year had been furnished to audit on 17February 2014. The Report of the Auditor General for the year under review had been furnished to the Secretary of the Sabah on 13 November 2015.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Thambalagamam Pradeshiya Sabha as at 31 December 2014 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 Compliance with SriLanka Public Sector Accounting Standards

Although the Cash Flow Statement and the Statement on Changes in Equity had to be submitted along with the Financial Statements according to Srilanka Public Sector Accounting Standard No.02, these Statements had not been furnished.

1.3.2 Accounting Policies

The Accounting policies adopted to prepare the Financial Statements had not been disclosed in the Financial Statements according to SriLanka Public Sector Accounting Standard No.03.

1.3.3 Accounting Deficiencies

The following accounting deficiencies are observed.

- (a) Water Filters and Loud Speakers purchased at a cost of Rs. 144,450 during the year under review had not been brought to accounts.
- (b) Provision had not been made in the accounts for the Audit fees amounting to Rs.15,000 for the year under review.

1.3.4 Accounts Receivable and Payable

The Staff Loan amounting to Rs.33,291 granted to an employee and outstanding from the year 2012 had been shown in the Financial Statements continuously without action being taken to recover from him or from the surety.

1.3.5 Lack of Evidence for Audit

Evidence indicated against the following each item of accounts had not been furnished to audit.

Item of Accounts	Value Rs.	Evidence not furnished
Lands and Buildings	83,172,856	Register of Fixed Assets and Board of Survey Reports
Plant and Machineries	1,654,460	
Motor Vehicles and Carts	17,328,050	Advance Register and Age Analysis
Revenue Deposits	1,276,855	
Tender Deposits	319,000	
Miscellaneous Deposits	717,500	
Other Deposits	3,863,160	

1.3.6 Non-compliance with Laws, Rules, Regulations etc:

Instances of non-compliance observed in audit are analysed and given below.

<u>Reference to Laws, Rules etc;</u>	<u>Non – Compliance</u>
(a) Section 134 (1) of the Pradeshiya Sabah Act No. 15 of 1987	Action had not been taken to recover Rates by identifying and estimating the value of the immovable properties within the authority limit of the Pradeshiya Sabah.
(b) Pradeshiya Sabah (Financial and Administrative) Rules of 1988	
(i) Section 5(XII) of Chapter I	Although cash, stores and signing of cheques had been administratively entrusted to three Officers, security had not been obtained from them.
(ii) Section 81 of Chapter III	Request to Registrar General for refund of stamp duties regarding the change of ownership of lands, request to Director of General Treasury for refund of duties regarding other transactions and request to Registrar of Courts for refund of fines had not been made at the end of each quarter.
(c) Eastern Provincial Financial Rules	
P.F.R. 131.3	According to Financial Rules, after issuing Cash Receipts for receipts of money, the counterfoils of the Receipts should be kept under safe custody by responsible Officers. However, the counterfoils of the Receipts issued for Rs. 85,900 during the year under review had been missing, no action had been taken in this regard.

- (d) Treasury circular No. IAI/2002/ 02 dated 28 November 2002 Separate registers had not been maintained to record the computer accessories and computer software.

2 Financial Review

2.1 Financial Results

According to the Financial Statements presented, the excess of Recurrent Expenditure over Revenue for the year ended 31 December 2014 amounted to Rs.2,557, 015. as compared with the Recurrent Expenditure over Revenue amounting to Rs. 1,747,974 for the previous year.

2.2 Revenue Management

2.2.1 Performance of Revenue Collection

According to the information furnished by the Sabah, details regarding the estimated revenue, actual revenue and the revenue in arrears during the year under review and the previous year are given below.

Revenue Item	Estimated Revenue	Actual Revenue	Cumulative Arrears as at 31 December
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	Rs.	Rs.	Rs.
Rates	300,000	42,000	258,000
Rental	6,447,115	2,084,574	4,362,541
Licence fees	715,000	691,050	23,950
Other Revenue	<u>395,000</u>	<u>2,270,755</u>	<u>1,875,755</u>
	<u>7,857,115</u>	<u>5,088,379</u>	<u>6,520,246</u>

2.2.2 Court Fines

Action had not been taken to receive the court fines amounting to Rs.3,876,661 from the Chief Secretary of the Provincial Council, which were recovered by the Magistrate Court under various Ordinances for the years 2008, 2009 and 2011.

2.2.3 Charges for Telecommunication Towers

The Sabah had lost the revenue amounting to Rs. 9,000 annually due to non-recovery of charges on 03 telecommunication towers erected within the authority limit of the Sabah from the year 2007 upto the end of the year 2014 .

2.2.4 Stamp Duties

Action had not been taken to recover the Stamp Duties amounting to Rs. 819,974 receivable from the Registrar General as at 31 December 2014

3 Operating Review

3.1 Contract Administration

A contract had been awarded to Tharha HMA Community Centre for a sum of Rs. 4,950,024 to repair the Buhari Town play ground under Puraneguma Project fund allocation. The following observations were made in this regard.

- (i) Although the Technical Officer had recommended that the work, amounting to Rs 3,345,139 according to the bill submitted by the contractor had been satisfactorily completed, the work had not been completed by the contractor.
- (ii) The payments for the undermentioned works had been made although these works had not been completed.

	Rs.
Painting the parapet wall of children park	39,375
Painting the parapet wall playground	112,500
Water tank for the play ground	<u>40,000</u>
	<u>191,875</u>

3.2 Management Inefficiencies

Following observations were made.

- (a) Although prior approval had to be obtained from the Ministry of Local Government according to Section 178 and 179 of the Pradeshiya Sabah Act No. 15 of 1987 to obtain loans to the Sabah, prior approval had not been obtained for the procurement of a Tipper on credit at a cost of Rs. 3,200,000 during the year 2013.
- (b) Action had not been taken to recover 87 library books having lent to the readers from the period June to December 2014.
- (c) Action had not been taken to settle the loan amounting to Rs. 11,874,944 obtained from the Local Loans Development Fund for the construction of office building.

4. Human Resource Management

Details regarding the approved cadre and actual cadre as at 31 December 2014 are given below.

Category of Staff	Approved Cadre	Actual Cadre	Vacancies	Excess
Executives	01	-	01	-
Subordinates	18	14	04	-
Minor Employees	27	23	04	-
Others	-	17	-	17

A post in Supra Grade I of the Management Service, 4 posts in Management Service and 04 posts for Minor Employees has been remaining vacant for the past five years, three years and three years respectively and action had not been taken to fill the vacancies.

5. Systems and Controls

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

- (i) Accounting
- (ii) Control of Fixed Assets
- (iii) Stock Control
- (iv) Recovery of Advances
- (v) Revenue collection
- (vi) Procurement Procedure
- (vii) Loan Control