

## **Thanamalwila Pradeshiya Sabha**

### **Monaragala District**

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

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

Financial Statements for the year under review had been submitted to the Auditor General on 24 April 2015 while Financial Statements relating to the preceding year had been submitted on 18 July 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabah on 16 July 2015.

##### **1.2 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 Thanamalwila Pradeshiya Sabha as at 31 December 2014, its financial performance for the year then ended and cash flows in accordance with Sri Lanka Public Sector Accounting Standards.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Accounting Deficiencies**

Following matters are observed.

- (a) Action had not been taken to assess and account for the Land and Buildings belong to the Sabha.
- (b) Although the Works Debtors as at the end of the year under review was Rs. 26,974,952, it had been accounted as Rs. 33,392,086, overstating a sum of Rs. 6,417,134 in the accounts.
- (c) Although the Court Fines and Stamp Fees Receivable as at the end of the year under review was Rs. 1,186,533, it had been accounted as Rs. 2,036,892, overstating a sum of Rs. 850,359 in the accounts.

### **1.3.2 Non-reconciled Control Accounts**

While total of balances relevant to 08 items of accounts according to financial statements was Rs.126,617,680, balance according to the confirmations of balances and subsidiary registers had been Rs.98,082,326.

### **1.3.3 Accounts Payable**

Action had not been taken during the year under review too, to settle Audit Fees Payable for the years from 1995 to 1999, from 2001 to 2005, 2007, and 2011 to 2012 amounting to Rs.269,061.

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

### **2.1 Financial Results**

According to the Financial Statements presented, the excess of revenue over recurrent expenditure for the year ended 31 December 2014 amounted to Rs. 3,663,013 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.2,980,122. Accordingly, net increase in the financial results had been Rs.682,891.

### **2.2 Revenue Administration**

#### **2.2.1 Arrears of Revenue**

Arrears of Revenue totalling Rs. 39,031,013 as at the end of the year under review had not been recovered in terms of Sections 158 and 159 of the Pradeshiya Sabha Act No. 15 of 1987.

#### **2.2.2 Lease Rent**

- (a) Action had not been taken to assess the rent of stalls belong to the Sabha in terms of provisions in the Circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local Government.
- (b) Action had not been taken to lease out the Sabha properties such as Thanamalwila Public Latrine, Kiriibbanwewa Nursery Ground, Danduma Beef Stall and Thanamalwila Beef Stall during the year under review too.

### **2.2.3 Other Revenue**

- (a) Action had not been taken in terms of Section 149 of the Pradeshiya Sabha Act No.15 of 1987 to recover a Tax not exceeding 1 per cent of the receipts of the preceding year to the relevant year, from one hotel and one lodging house registered for the functions of the Sri Lanka Tourism Promotion Act No. 14 of 1968 or approved by that Authority.
- (b) Action had not been taken to recover an annual tax from 12 Transmission Towers constructed by various companies in the area of authority of the Sabha in terms of Section 152 of the Pradeshiya Sabha Act No.15 Of 1987.

### **2.2.4 Court Fines and Stamp Fees**

Court Fines and Stamp Fees Receivable as at 31 December 2014 from the Chief Secretary to the Provincial Council and other authorities are shown below.

	Rs.
Court Fines	1,101,333
Stamp Fees	85,200

### **2.3 Surcharges**

According to surcharges imposed by me against the persons responsible, in terms of Section 172 (3) of the Pradeshiya Sabha Act No 15 of 1987, a sum of Rs. 672,220 was due to be recovered as at 31 December 2014.

## **3. Operating Review**

### **3.1 Operating Inefficiencies**

- 3.1.1 Although the Local Authorities should function as a supplier of services for operations and maintenance of street lamps on the basis of paying fees in terms of clause 2.1 of the letter dated 17 August 2010 of the Secretary to the Ministry of Power and Energy, a sum of Rs. 636,972 had been incurred out of the Sabha Fund without taking action accordingly. Action had not been with regard to method of fixing, type of lamps to be fixed and number of lamps etc.

- 3.1.2 A penalty of Rs. 529,582 had to be paid for non-payment of Value Added Tax according to Form No. Vat 41 referred to in the letter dated 29 September 2014 of the Commissioner General of Inland Revenue.
- 3.1.3 A surcharge of Rs. 16,678 had to be paid for the delay in payment of contributions to the Employees Trust Fund during the years 2002, 2005, 2006, 2007, 2009, 2013 and 2014 according to the letter dated 06 October 2014 of the Employees Trust Fund.
- 3.1.4 While 20 employees recruited for the posts of Library Assistant, Pre-school Matron, Technical Assistant, Machine Operator, Driver, Peon, Laborer and Watcher, on casual and substitute basis had been appointed to permanent service on 24 October of the year under review, they were not included in the approved cadre of the Sabha. A sum of Rs. 4,130,714 had been paid for them as Salaries, Employees Provident Fund and Employees Trust Fund.

### **3.2 Improper Transactions**

- (a) A sum of Rs. 649,904 had been paid as Salaries, Employees Provident Fund and Employees Trust Fund having recruited 11 employees for various posts during the year under review, without prior written approval of the Commissioner of Local Government in terms of Section 19 (1) (i) of the Pradeshiya Sabha act No. 15 of 1987.
- (b) A sum of Rs. 67,440 had been paid as combine allowance on behalf of 16 Members for attending Sabha Meetings contrary to Clause 4 in Chapter XIV of the Establishments Code of the Republic of Sri Lanka and Pradeshiya Sabha act No. 15 of 1987.

### **4. Systems and Controls**

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

- (a.) Accounting
- (b.) Internal Control
- (c.) Revenue Administration