

Thissamaharama Pradeshiya Sabha
Hambanthota District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 11 June 2015 while Financial Statements relating to the preceding year had been submitted on 29 April 2014. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 11 August 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 Tissamaharama Pradeshiya Sabha as at 31 December 2014, its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following observations are made.

- (a.) When paying arrears of salaries relevant to the year 2013 of the Technical Officer and Ayurvedic Doctor, the total of Salaries and Widows and Orphans Funds amounting to Rs. 119,028 had been accounted as expenditure for the year under review, while the amount to be paid further Salaries and Widows and Orphans Funds on behalf of two officers mentioned above as at the end of the year under review totalling Rs. 137,219 had not been accounted.

- (b.) Out of the totalled sum of Rs. 609,692 receivable from the lessee who took the lease of Metal Crusher belongs to the Sabha, the sum of Rs. 443,996 as Lease Money, the sum of Rs.12,100 as Liquidated Damages, Nation Building Tax amounting to Rs. 2,420 and Electricity Bills Charges of Rs. 151,176, a sum of Rs. 336,475 only had been accounted.
- (c.) Action had not been taken to assess and account the value of 09 vehicles received as donations from various institutions. While a motor vehicle belongs to the Sabha valued at Rs.652,000 had been exchanged for a cab vehicle, action had not been taken to capitalize the value of that vehicle and remove the value of the old vehicle from assets.
- (d.) Action had not been taken to capitalize the Construction Works at the Udhagandara Wastes Stacking Centre amounting to Rs.3,930,280 completed during the year 2014 and the value of Public Library Latrine amounting to Rs.110,285.
- (e.) While the Interest Money amounting to Rs. 86,250 received for the 06 months period from 02 July 2013 to 02 January 2014 on account of a Fixed Deposit of the Sabha had not been accounted, out of the Interest Money received for another 02 Fixed Deposits, the total Interest Money had been accounted as revenue for the year under review, although a sum of Rs. 76,389 was relevant to the year 2013.

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 2014 amounted to Rs.9,608,934 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 55,221.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is appear 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	1,950	2,395	3,527
(ii.) Lease Rent	8,132	8,301	1,530
(iii.) Licence Fees	8,012	10,196	782
(iv.) Other Revenue	50,229	46,090	8,785

2.2.2 Rates

Action in terms of Section 158 (a) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover Rates in arrears amounting to Rs. 3,517,208 as at the end of the year under review.

2.2.3 Lease Rent

Following observations are made.

- (a.) Action in terms of Rule 177 of the Pradeshiya Sabha Rules (Finance and Administration) 1988 had not been taken to lease out Pannegamuwa and Debarawewa weekly Fairs.
- (b.) While Rent of Stalls belong to the Sabha had not been properly recovered, action in terms of Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover arrears of Stalls Rent as at 31 December 2014 amounting to Rs.1,472,794.
- (c.) While the total amount due to be recovered from the lessee for 07 months for leasing out the Metal Crusher was Rs. 443,996, an effective course of action had not been taken to recover that amount in arrears.

2.2.4 Licence Fees

Action in terms of Section 152 (4) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover the value of License fees in arrears amounting to Rs. 782,273 as at the end of the year under review.

2.2.5 Other Revenue

Totalled revenue of Rs.326,521 was outstanding to be recovered as Advertisement Board Charges, Gully Bowser Revenue and Machinery and Equipment Revenue as at the end of the year under review.

2.2.6 Court Fines and Stamp Fees

Court Fines and Stamp Fees totalling Rs.6,800,678 were receivable from the Chief Secretary to the Southern Provincial Council and other authorities as at 31 December 2014.

3. Operating Review

3.1 Management Inefficiencies

Following observations are made.

(a.) The Survey of Land and Buildings

Although all Land and Buildings belong to the Sabha should be surveyed once in every year in terms of Pradeshiya Sabha Finance and Administrative Rule 218 of 1988, action had not been taken to carry out such a survey.

(b.) The Survey of Goods

Action in terms of Pradeshiya Sabha (Finance and Administrative) Rule 204 of 1988 had not been taken with regard to shortage of 1357 units relevant to 127 categories of goods pointed out in the Board of survey for the year 2014 even as at 15 July 2015.

(c.) Staff Loans

Acton had not been taken even up to 15 July 2015 to recover loan balances in arrears totalling Rs. 105,030 outstanding from five employees who are not in service at present.

(d.) Multi-Purpose Mobile Booths

While 10 Canopy Covering Booths valued at Rs. 270,000 had been provided to the Sabha under the Development Programme for Minimizing Poverty in Provinces, implemented through budget proposals for 2013 by the Ministry of Local Government and Provincial Councils, only 07 booths were available at the Disaster Management Unit of the Sabha at the time of physical inspection carried out on 01 April 2015. Any information was not furnished to audit with regard to the balance 03 Booths.

3.2 Transactions of Contentious Nature

(a.) Although 1184 Flag Posts (GI Pipes) valued at Rs. 1,310,856 had been provided to the Sabha on 15 November 2014 by the Ministry of Local Government and Provincial Councils in order to expand the services of the Local Government Institutions, that quantity of Flag Posts had not been taken to the Inventory.

(b.) Although it had been shown that 184 Flag Posts valued at Rs. 203,714 were issued to the Hambanthota Pradeshiya Sabha and 104 Flag Posts valued at Rs. 115,142 were issued to the Ambalanthota Pradeshiya Sabha, that quantity of pipes had not been received to those Sabha. While it had been shown that 128 Flag Posts valued at Rs. 141,714 were issued to the Hambanthota Municipal Council, out of those 60 Flag Posts valued at Rs. 66,428 had not been received to the Hambanthota Municipal Council.

3.3 Idle Assets

While Assets such as Clothes Weaving Equipment Set, two Motor Boats, a Set of Physical Exercise Equipment and an Inter Connected Stone Blocks Manufacturing Machine had been kept idle over long period, action had not been taken to make use of those Assets or for disposal.

3.4 Contracts Administration

Following matters are observed.

(a.) Transport of Concrete Stone Blocks and Metal Dust

Although it has been informed according to the paragraph 01 of the letter No.MPH/HYW/MNG/Cer/14-1 dated 02 July 2014 of the Secretary to the Ministry of High Ways, Ports and Navigation, that estimates should be prepared without including 10 per cent additional cost to be added in the transportation of raw material for the roads development works implemented under Maga Neguma Rural Roads Development Programme, action had not been taken accordingly, for 10 Works implemented having signed agreements after 02 July 2014. Due to that, a sum of Rs. 59,150 had been overbilled.

(b.) Overpayment for Design Work

When preparing payment reports for 31 Works implemented under Maga Neguma Rural Roads Development Programme, an additional amount had been included more than the amount payable for Design Works. Due to that, a sum of Rs. 242,767 had been overpaid.

(c.) Physical Inspection of Works

Following matters were observed at the physical inspection carried out on the two days, 31 March and 02 April 2015, with regard to few Works implemented by the Sabha.

(i.) Development of Canal Road near Andaragasyaya Play Ground

The work relating to the Development of Canal Road near Andaragasyaya Play Ground had been completed having assigned the work to an approved society for an agreed amount of Rs.1,972,541 and a payment report for Rs. 1,954,929 had been prepared and sent for reimbursement. A sum of Rs.280,921 had been included in the payment report for compacting using a Road Roller, after spreading the ABC Mixture to a height of 4 inches and spraying water to this road constructed to a length of 187 meters. When 06 places in a range of about 30 to 30 meters were inspected, only in one place a small quantity of ABC Mixture was seen and in all other five places only metal dust had been spread to the base of the road. Accordingly, it was observed that ABC Mixture had not been spread to the base of the road in the manner shown in the payment report.

(ii.) Non-application of ABC Mixture and Metal Dust according to the Specified Quantity for the Roads

It had been stated in the Payment Report that a layer of metal dust to a thickness of two inches were applied after compacting to exist a 3 inches thickness, having laid ABC Mixture to a thickness of 4 inches to the base of the road and spraying water for 11 Works. Accordingly, the total thickness of the ABC Mixture and the metal layer should be 5 inches. However, it was found at the physical inspection that the average thickness of the ABC Mixture and the metal layer were in a range between 3.25 – 4.29 inches.

(iii.) Development of Tissapura First Lane – Stage 1

The work relating to the Development of Tissapura First Lane – Stage 1 had been completed having assigned the work to an approved society for an agreed amount of Rs. 500,000 and Rs. 499,986 had been paid after preparing the payment report. Although a sum of Rs. 26,643 had been paid for 10.8 cubic metres indicting that metal dust were used to the base of the

road to a length of 72 meters, a width of 3.0 meters and to the height of 2 inches, when 4 places in a range from 18 meters to 18 meters were inspected, it was observed that metal dust had not been used to a thickness of 02 inches. It was observed that the average thickness of the metal dust layer was 0.975 inches. Although the amount payable accordingly was Rs. 11,650, an overpayment of Rs. 14,993 had been made due to payment of Rs. 26,463 for that.

(iv.) Improper Construction of Road Elbows

- A sum of Rs. 245,836 had been included in the payment report indicating that, elbows on the two sides of the road were compressed by using earth and spraying water relating to 04 Works. At the physical inspection it was observed that, there was no necessity to use earth for road elbows as there were fences of the owners of the lands immediately adjoining the places finishing road construction works, cutting drains on two sides of the road and position of paddy fields and that earth had not been used.
- Although a totalled sum of Rs. 498,246 had been paid for compressing the road elbows by using earth and spraying water to the extent of 303.75 cubic meters, relating to 08 Works, at the physical inspection it was observed that, the earth had not been supplied to the extent of quantity mentioned in the payment report, that earth supplied had been only 129.68 cubic meters and that compressing after spraying water had not been done relating to any of these works.

(v.) Improper Construction of Concrete Edgings

Although payment reports had been prepared indicating that, Concrete Edgings to a width of 06 inches and to a height of 09 inches were constructed on two sides of the roads relating to 07 Works, at the physical

inspection it was observed that Concrete Edgings had not been made in that manner and accordingly a sum of Rs. 357,777 had been included additionally in the payment report for the Concrete Edgings.

(vi.) Non-fixing Name Boards

Although a totalled sum of Rs. 66,000 had been included to the payment report indicating that 11 name boards in size of mm 600 x 900 were supplied and fixed at the rate of Rs. 6,000 per board for 11 works implemented by the Sabha, at the physical inspection carried out it was observed that name boards had not been supplied and fixed.

(vii.) Strengthening the Concrete Edgings using Iron Wire

A sum of Rs. 52,925 for the Uduvila Centre Road and a sum of Rs. 52,925 for developing the Molakepu Pathana School Road up to the tank had been included indicating that mm 10 size wires were used for Concrete Edgings. When one place of the Concrete Edging of the Uduvila Centre Road was physically inspected it was confirmed that wires had not been used. Similarly, when 03 places of the Concrete Edging of the Molakepu Pathana School Road up to the tank were physically inspected it was confirmed that wires had not been used in one place.

4. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management
- (d.) Staff Loans Administration
- (e.) Vehicles Maintenance and Administration