

ThumpanePradeshiya Sabha

Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 28 April 2016 while Financial Statements relating to the preceding year had been submitted on 16 June 2015, and the Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 16 August 2016.

1.2 Qualified 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 Thumpane Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statement.

1.3.1 Decrease of Net Asset

The Accumulated Fund maintained a debit balance for the past 03 years, and the debit balance has also increased dramatically by the year under review. It was observed that this was a weakness in financial management.

1.3.2 Accounting Deficiencies

Following matters were observed.

- (a) The tree cutting machine worth Rs. 25,490 and the value of a cost assess generator belonging to the Sabha had not been estimated and accounted.
- (b) Rs. 45,500 had been paid to the Public Health Inspectors as incentive in the years of 2013 and 2014 under the Food Act, had not been accounted as an expense for the year under review.
- (c) On the last day of the year under review the medicine stock at the Ayurveda Center, amounted to Rs. 214,550 had not been accounted.
- (d) Stores Advance Accounting Method had not been followed in the process of purchasing and issuing of the stored materials. Without adding purchases and deducting issuing to the opening balance, as at the closing date of the year under review, a balance of Rs.1, 631,361 stocks had been accounted, and that balance was an erroneous one.

- (e) The lands of Dicoyawatta, Greinwoodwatta had been purchased on a 20 year lease, paying amounting to Rs 500,000 had not been disclosed as an accounting note in the Financial Statement.
- (f) Six items of vehicles and equipment valued at Rs. 87,050, which were auctioned during the year under review, had not been removed from the accounts

1.3.3 Non-reconciled Control Accounts

When the balance of 06 items amounted to Rs. 58,169,210 shown in control account was compared with balances shown the schedule amounted to Rs.48, 266,669, non-reconciliations amounting to Rs. 9,902,541 were revealed.

1.3.4 Accounts Receivable

While the value of 07 Accounts Receivable balances was aggregating Rs. 27,465,111, out of that value of balances that had been outstanding over 01 year was aggregating Rs. 9,325,459.

1.3.5 Accounts payable

While the value of 02 Accounts Payable balances was aggregating Rs. 332,379,295, out of that, the value of account balances that had been outstanding over 01 year was aggregating Rs. 11,274,066.

1.3.6 Lack of Evidence for Audit

As the required information was not submitted to the audit in 03 accounts subjects, the total of transactions amounting to Rs. 31,158,375 were not satisfactorily verified at the transaction audit.

1.3.7. Non-Compliance with Laws, Rules and Regulations etc.

Following instances of non-compliance were observed.

<u>Reference to laws, rules and regulation</u>	<u>Non-Compliance</u>
a. FR 1645	Although log books had to be maintained for all the vehicles belonging to the Pradeshiya Sabha, log books had not been maintained for 07 vehicles.
b. The Public Administration Circular No: 41/90 dated 10 October 1990	Fuel burning should be checked on each vehicle once in every six months. However, the burning fuel level of 12 vehicles had not been checked.

c. Government Public
Administration Circuit No:
26/92 (1) dated 03 August
1994

All government vehicles should have been painted the name of the institute and the governments emblem, 15 existing registered vehicles belong to the Sabha had not been painted the same.

d. Circulars of the Central
Provincial Council Chief
Secretary's Circular No CPC
/ CS / 06/06/02 dated 11
April 2003.

Action had not been taken to get amounted to Rs. 20,000 securities from six officers who were liable for securities.

2. Financial 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 2015 amounted to Rs. 6,788,128 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 15,772,071 accordingly, a decrease in a sum of Rs.8, 983,943 was observed in the financial results as compared with the previous year.

2.2 Analytical Financial Review

The total deficit of Rs.11, 175,513 had been observed in comparison to the total deficit of the previous year which was mainly due to the decrease in 03 subjects of Revenue and 03 subjects of Expenditure increase.

2.3 Working Capital Management

Current ratio in the year under was 1: 1.2 and 1: 1.02 in the previous year, it revealed that ratios were not feasible and out of total current assets 22 per cent or Rs 9.2 million, were industry creditors, while total current liabilities 54% or Rs.26.8 million was comprised of industry creditors.

2.4 Revenue Administration

2.4.1 Performance of Revenue Collection Activities

Following are the estimated revenue, actual income and arrears of income presented in relation to the year under review.

Items of Revenue	Arrears as at 01.01.2015	Billing for the year	Revenue Collected Amount to be Collected from the Arrears as at 31.12.2015	Collected out of Amount Billed for the year 2015	Total Amount to be Collected as at 31.12.2015
	Rs	Rs	Rs	Rs	Rs
Rates and tax	458,987	883,955	235,666	696,728	410,548
Lease Rent	559,812	3,418,358	559,812	2,372,440	1,045,918
License fees	-	1,223,225	-	1,223,225	-
Other Revenue	10,106,972	14,443,798	5,031,715	1,218,126	18,300,929
Total					19,757,395

Total arise income as at 31 December was amounted to Rs. 19, 757,395

2.4.2 Rates and Tax

The following observations are made.

- At the beginning of the year receivable Billing amount was Rs. 458,987 and during the year billing amount was Rs. 883,955. Out of them as at 31 December 2015 recovered amount were Rs. 235,666 and Rs. 696,728 percentage of recovery were 51 and 79 respectively. Further, receivable amount as at 31 December 2015 were Rs.410, 548 and as at 28 July 2016 was Rs. 376,133.
- Although a new assessment and taxation had to be made once in every five years, the assessment for 2015 had been calculated on the basis of the assessment carried out in 2004. Although a new assessment was carried out in August 2014 and June 2015, that reports had not been obtained yet.

2.4.3 Lease Rent

The billing rent tax income was Rs.3, 418,358, out of which only Rs. 2,372,440 had been collected as at 31 December 2015. This was a percentage of 69 percent.

2.4.4 Stalls Lease

Following observations are made regarding leasing of shops.

- a. After completing the tender procedure, accordance with the tender requirements of renting out of shops, the non-refundable deposit money was to pay. Although four shops were given two years ago and relevant tender fees was Rs.111, 150. Action had not been taken to collect the money.
- b. Although 03 months rental money had been deposited in prior to leasing the shops, the deposit had not been recovered at a cost of Rs.32, 6260 two years after leasing 6 shops. A balance of Rs. 29,626 had to be recovered on 28 July 2016.
- c. 10 stalls had been leased out to outsiders without legal agreement.
- d. The store number 04 in the upper floor of Madiya at Galagedara had been sealed and the deficit of Rs. 71,800 had to be collected. The Arabakady stall number 6 has to be repaired, but attention had not been paid, and the deficit had been Rs.30,600.
- e. Three stores are being paid lease had been closed for business purposes.
- f. Five shops in the Hataraliyadda shopping complex had been closed.

2.4.5 Three-wheeler Charges.

At the beginning of the year a deficit was Rs. 777,450, out of which Rs. 443,050 or 56% was collected in the year. While the billing of the year was Rs. 944,700 and was able to recover only Rs. 503,150 or 53% .As at 31 December 2015 receivable balance was Rs. 77,300,700.From that amounted to Rs. 574,750 and 137 balances were recoverable from three wheelers for more than a year. The balance as at 31 December 2015 was Rs. 671,406 and remaining as recoverable as at 28 July 2016.

2.4.6 Water Charges

Following observations are made.

- a. The shortage of water fare on 01 January 2015 was Rs. 638,583 and the billing income for the year was Rs. 985,550. Out of them recovered amount was Rs.328, 602 and Rs. 656,309 respectively on 31December 2015. This was 51 percent and 67 percent. A balance of Rs. 639,222 had been remained on the final day of the year under review and further Balance of Rs. 425,987 had to be recovered by 28 July 2016.
- b. The water supply of 85 water consumers has been disconnected from the three water supply schemes provided by the Sabha on the removal of water supplies owing to bailout and road development. The water supply had not been reconnected by the end of the year under review and It had not been able to recover Rs.229, 561 from those customers.

2.4.7 Court Fines and Stamp Duty

As at 31 December 2015 due amount of court fines was Rs. 1,441,333 and stamp duty amounting was Rs. 15,000,849.

3. Operational Review

3.1 Management Inefficiencies

Relating to year 2015 out of registered 46 contracts 25 were turned into creditors amounted to Rs.14, 366,057

3.2 Operational Inefficiencies

Following observations are made.

- a. Two new packed refrigerators remaining in the auditorium were not entered to the inventory.
- b. The Giriagama Computer Center had been closed due to the lack of students and a programme had not been there to attract students.
- c. The Mudagammana Water Supply Scheme belong to Sabha was unserviceable

3.3 Un-economical Transactions

The Chairman, Vice Chairman and 14 members of the Sabha spent an amount of Rs.2, 560,000 for the education workshop held in China. A private tourist agency at Gurudeniya in Kandy had organized to Guwanxi in China from 17th to 29th March 2015. According to summon letter of the Chinese Guwanxi City Council workshop dates were on 18 and 19 March 2015. Nevertheless, it was also observed that during the period of 28 March to 03 April 2015, 07 days the visit was taken place. The amount of Rs .2,560,000 spent on these projects had been treated as Non-economic Transactions because sabha time duration was about to terminate .

3.4 Contracts Administration

3.4.1 Renovation of Shopping Complex in front of Sujatha Balika Vidyalaya - Rs.2, 057,307

Following observations are made in this regard.

- a. Whereas rules no 177 and 178 in 1988 Pradeshiya Sabha (Financial - and Administration) were remaining for competitive tender procedure to select contractors ,nearly amounted to Rs 4,000,000 shopping complex was renovated as Phase 1 and 2 and assign to two community based organizations.

- b. Using Local Loans and Development Fund loan, renovation of ground Floor of the shopping complex building 30m X5m had been started and after making some plastering work and fixing windows frame works move on to upper floor without completing the ground floor in 2014. Owing to stop of the whole construction work total expenditure incurred years of 2014 and 2015 was Rs .2, 057,307 and ground floor and upper floor remained under utilizing on 30 June 2016.
- c. The above mentioned construction works are open to the main access road, but the building course is not open to the road, and the built-up portion was difficult to for business purposes.
- d. Although, 30X5 m two floors had been constructed as ground floor and the top floor near the old shopping complex, building plan had not been prepared and approved.
- e. Rs.182, 688 had been paid for the installation of eight H bars on the stage 01 under job no 05 of the work item. But H type 02 iron bars had been installed. It was observed that during the physical examination on 14 June 2016 a sum of Rs. 45,672 had been over paid.
- f. Rs. 40,469 had been paid for buying 190.89 square meters of net under the work subject no 8 for fixing of 75m x 75m square net for the installation. In the physical verification on 14th June 2016 was revealed that net was 143.1 square meters. It was observed that for excess 47.79 square meters and amounted to Rs.10, 131 had been overpaid.
- g. Although, Rs 328,160 had been paid for 140 square meters ceiling under work subject no 8, in the physical verification was revealed that ceiling had not been constructed.

3.4.2 Preparation of the Access Road to Hatharaliyadda Town Hall Rs. 1,470,000

The following issues were revealed by the physical examination conducted on 14 June 2016 regarding this industry.

- a. Although Rs.60, 904 had been paid for plastering under the work subject no 7 and cement mix of 1: 3, the mixture was poorly broken.
- b. Rs. 37,941 had been paid for fixing colored stones of 80m X 1.83m area. According to the physical verification it was 80m X 1.6m. Accordingly, a sum of Rs. 37,941 had been paid for 18.4 meters in the uncompleted work.
- c. Although Rs.31,343 had been paid for the subject under section 9 to grow grass ,at the time of verification it was abounded.
- d. Under the subject work No. 16 amounted to Rs. 10,000 had been paid to have a test report for concrete stone. It was observed that the report had not been obtained and colored stone were in poor quality.
- e. Walking track of entrance road had been damaged of 10.7m X 1.6 m. area.

3.4.3 Modernization of Hatharaliyadda New city Bus stand (laying of Stones) - Rs. 1,895,714

Following physical observation are made on physical verification on 14 June 2014.

- a. The Plan had not been filed in the relevant construction file.
- b. Although a sum of Rs. 55,087 had been paid to 08 concrete posts under Work Item No. 4 (iv), only six concrete posts had been constructed, it was observed that amounted to Rs. 13,772 had been paid for uncompleted work .
- c. Under the work of Item No. 7 amounted to Rs. 1,333,445 was paid to lay stones for 365 square meters ,in that area 13.34 square meter two bus halt had been construct while, a distance of 2 x 2 9x2.3 (13.34 km) had not been laid stones .Amounted to Rs. 41,425 had been over paid for this.
- d. Although Rs. 95,260 had been paid for 20 concrete boards under the subject code No. 10, it was observed that at the physical inspection, only 15 concrete boards were installed. Amounted to Rs. 23,815 had been over paid for uncompleted 05 concrete boards.
- f. Although the contract was signed for amounted to Rs. 69,080 for the construction of passenger benches under article 12, the expected subject had not been fulfilled and that task had not been fulfilled.

3.4.4 Establishment of Agricultural Product Purchasing Stall at Pradeshiya Sabha land in Aludeniya to purchase product of Samurdhi beneficiaries' - Rs. 498,133

Following issues were revealed by the physical examination conducted on 14 June 2016.

- a. Only one shop had been completed while, laying foundation of 03 shops and laying concrete roof for two shops. Un-covered irons have been destroying from the slab and the upper part of the concrete pillars.
- b. This store room had been completed in December 2015, but it had not been used for intended purposes.
- c. The land built above building was a donation and any action had not been taken to take over the legal ownership and any action had not been taken to made the fence.

3.4.5 Preparation of Sarath Amunugama Play Ground at Galagedara Rs.132, 500

Following observations are made.

- a. Although a sum of Rs. 150,000 had been allocated for the construction of the entrance road at Galagedara Stadium, no plans had been prepared and no estimates had been prepared.
- b. Although it was revealed through the technical officer's notes that the construction of entrance road and the removal of soils using a person's JCB machine were not certified the work rendered and amount of Rs.132, 500 had been paid.

- c. A request letter had been forwarded by the relevant JCB machine owner for 09 days and 53 hours. The technical officers had not participated in the monitoring and had been supervised by the Playground keeper, but the technical officers had reported to make payments. It was a abnormal situation of 09 day project without technical supervision.
- d. The playground keeper on 26 March 2015 reported that the soil was removed by the JCB. But the playground keeper was unable to show the place where the soil was removed in the physical test on 16 June 2016. Further, it was observed that there were conflicts between the sayings that technical officers had prepared an access road.

3.4.6 Solid waste Management

 Following observations are made

- a. Even though a building had been built with two rooms for storing and sorting garbage at the site of the waste disposal by spending amounting to Rs.500, 000 of under the Special Provincial Grant, The Pradeshiya Sabha disposed garbage without shorting. This building was idle.
- c. Even though daily collected garbage cast to the Greenwood land belongs to Land Reclamation Commission in Pradeshiya Sabha region. Actions had not been taken to get the environmental certificate.
- c. Although buildings available for storing garbage at the site of the waste disposal, a few amounts incomparable garbage were sorted and sold the remaining garbage had been dumped into the pits without proper management. At the present time, hatching has begun to recover garbage and a number of environmental issues had arisen.
- d. Daily collected garbage one or two tractor loads in PujyaPepitiya Municipal Council had been dumped on both sides of the road without sorting.
- e. The two streams flowing by this land are flowing up to Mawathagama Pradeshiya Sabha in Kurunegala District and they use the water to consume and provincial health officers continuously pointed out that the water distributed among the public was spoiled.
- f. According to the physical examination conducted on 14 June 2016 the garbage had been collected in the ground floor of the Sujatha Balika School in Galagedara and it was observed that it had not been removed for a long time.
- a. While, garbage was gathered around Hatharaliyadda town in large scale, drain near the bus stand was heaped of discarded plastic and garbage. The physical examination showed that mosquitoes were coming out through the waste water pipes of Hatalleyyadda Town Hall and action had not been taken to control this condition.

4. Accountability and Good Governance

4.1 Budgetary control

Following observations are made.

- a. Revenue of Rs. 340,000 had been estimated of 02 Revenue Codes and no revenue had been collected whereas, expenditure of Rs. 6,480,000 had been estimated of 05 Expenditure Codes no expenses had been made.
- b. According to the budget prepared for the year under review, the variations were observed from 28 to 96 percent of 04 revenue items and the variations were observed from 09 to 62 percent of 05 expenditure items, it was observed that the budget had not been used as effective tool of control.
- c. Although Rs. 1,600,000 had been allocated in the 2015 Budget for the development work carried out under the Sabha Fund, and 46 contracts agreements had been entered amounting to Rs. 18,937,500. Accordingly, contractual contracts amounted to Rs.17,337,500 had been exceeded the estimate provision.
- d. Even when contracts exceeded the estimate, the Sabha had been passed a proposal at the general meeting on 27 January 2015, to obtain Rs.1, 100,000 from the expenditure code for Sabha ministers to go foreign tours.

4.2 Annual Procurement Plan.

A Procurement Plan had not been prepared for the year under review.

4.3 Internal Audit.

A Sufficient internal auditing had not been carried out of the Sabha.

4.4 Implementation of Audit and Management Committees

An Audit and Management Committee was established, but meetings had not been held.

4.5 Asset Management

4.5.1. Idle and under-utilized Assets.

Following observations are made

- a. Three assets items amounted to Rs. 1,119,619 belong to the **Sabha** had been underutilized and idle for more than 03 years.
- b. The tractor 49-7666, which could be used and 02 tails and a water browser belong to the **Sabha** had been parked at the playground with natural harassment.

- h. Worth of Rs.462, 209 twelve assets item and two unidentified motorcycles had been idle and underutilizing for a long time.
- i. Body building center at the Public Stadium in Galagedera was closed in 2014, and donated Body building items in the amount of Rs.229, 900 worth had been idle in a room.

4.5.2 Annual commodity survey

Following observations are made according to the commodities survey conducted for the year 2015.

- a. 08 items of goods in the Sabha office had not been entered to the inventory register.
- b. There were 433 library books in 03 libraries, Annual commodity survey had not been made up to 30 May 2016 and no action had been taken in this regard.
- c. The inventory list in the Sabha office had not been updated for a long period and details of issuing goods in the inventory had not been kept. Members of the Board of also balanced and signed the document without paying attention to the issue of goods.

5. System and control.

Special attention is drawn to the following systems and control.

- a. Accounting.
- b. Revenue Administration.
- c. Debtors / creditors control.
- d. Asset management.
- e. Contract Management.
- f. Human Resources Management.