

Thamankaduwa Pradeshiya Sabha

Polonnaruwa District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 31 March 2016 while Financial Statements relating to the preceding year had been submitted on 30 March 2015 . The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 23 August 2016.

1.2 Opinion

In view of the significance of the matters described in paragraph 1.3 of this report, my opinion is that the financial statements do not reflect a true and fair view of the financial position of the Thamankaduwa Pradeshiya Sabha as at 31 December 2015 and 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

- (a) Court Fines balance of Rs.500,000 at the beginning of the year under review had been omitted from the financial statements.
- (b) There was a difference of Rs. 152,135,811 between the balance of Fixed Assets Account and the balance of Contribution from Revenue to Capital Outlay Account.
- (c) Sand Permits Revenue receivable for the year under review amounting to Rs. 1,870,710 due from a private company had been omitted from the financial statements.
- (d) Expenditure payable totaling Rs. 363,243 for 14 bills for the year under review had been omitted from the financial statements.
- (e) The value of a Four Wheeled Tractor had not been assessed and included in the financial statements.

- (f) Expenditure incurred being value of work completed of the Recyclable Waste Stores during the year under review amounting to Rs. . 1,608,393, the sum of Rs. 2,236,420 spent for modernization of Wastes Recycling Unit and the value of Commercial Building with stalls near Polonnaruwa amounting to Rs..5,586,371 had not been capitalized.

1.3.2 While the value of Accounts receivable shown in the financial statements at the end of the year under review was Rs. 108,528,944, out of that a sum of Rs. 22,591,067 were balances being brought forward during a period more than 5 years. A balance of of Rs. 2,045,934 outsnding for more than 5 yeaas had been included in the value of Accounts Payable amounting to Rs. 53,326,213 at the end of the year under review.

1.3.3 Non-compliances with laws, Rules, Regulations etc.

 Following instances of non-compliances with laws, rules, regulations etc. were observed in audit.

Reference to laws, rules and regulations

Non-compliance

(a) Pradeshiya Sabha Act No. 15 Of 1987

- | | | |
|------|-----------------------------------|---|
| (i) | Section 132 (j) | A sum of Rs. 317,405 had been spent in 12 instances , without prior approval of the Minister for subjects for which there were no legal provisions |
| (ii) | Sections 150(1),152(1) and 153(1) | Lists of Industries, Trading Businesses, Professions and Lands not developed had not been prepared by Revenue Inspector, Revenue Overseer or an officer authorized by the Chairman had not been submitted to the Secretary on or before 31 March of the year. |

(b) Circulars and Letters

 Circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local Government

Although Stalls Rent should be revised at least once in 5 years, rent had been recovered without following any basis with regard to 240 stalls belong to the Sabha. Last revision of Stalls Rent had been made during the year 2008.

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. 28,972,672 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 6,278,191.

2.2 Revenue Administration

2.2.1 Revenue Administration

- (a) Although lump sum money should be paid and finalized within 14 days from the date of acceptance of the tender according to the agreement in leasing out stalls belong to the Sabha, a sum of Rs. 1,673,991 due to be received from 28 stalls had been in arrears during a period more than 10 years.
- (b) Although action should be taken to cancel the rent agreement and get the relevant stall transferred back to the Sabha in instances of non-payment of specified rent in terms of the agreement, a sum of Rs. 737,523 due to be recovered from 85 stalls failed to do so had not been recovered since a period of 04 years.
- (c) While rent agreements for 36 stalls belong to Sabha in Polonnaruwa Hospital junction had elapsed a period of 20 years, necessary action had not been taken for entering into new agreements for those stalls.
- (d) Two stalls situated in Kaduruwela Bus Stand had been subleased by the lessees without approval of the Sabha. the Sabha had not taken action either to cancel the agreements of those two stalls or to take steps against lessees for subleasing.

03. Operating Review

3.1 Management Inefficiencies

- (a) The Sabha had failed to get the provisions amounting to Rs. 2,000,000 allocated November and December of the year under review under Pradeshhiya Sabha Strengthening Program and implement the relevant projects.
- (b) Balance of three bank current accounts totaling Rs. .1,034,287 had been dormant since a number of years.
- (c) While counterfoils of 29 receipt books issued to 15 officers involved in collection of Sabha revenue during the period between 2013 and 2015 had not been handedover back to the Sabha even as at 25 March 2016, disregarding that situation, receipt books had been issued to the officers again. Similarly, 9 receipt books issued to 5 officers who had left on transfers to other institutions and retired had not been taken back.
- (d) While tenders had been called for, to lease out a plot of land situated in the center of the Kaduruwela Town remained idle for a period more than 03 years, tender fees had been refunded without leasing out that land having cancelled the tenders.
- (e) Although a period of more than 3 years had elapsed after demolishing the old building belongs to the sabha for constructing a new building, the new building had not been constructed.
- (f) A large sum of monthly revenue that could have been earned to the Sabha had been lost as the demolished old building had been given for a monthly rent of Rs. 35,000,

3.2 Unauthorized Transactions

Four Work Debtors amounting to Rs. 19,638,834 relevant to past years had been written-off during the year under review without approval of the Sabha.

3.3 Solid Waste Management

A quantity of about 9 – 10 tons of wastes getting accumulated per day in the area of authority of the Sabha are being dumped into a land in extent of about 05 acres belongs to the Sabha by engaging laborers and tractors of the Sabha. Out of wastes so collected, about 4.8 percent for making compost and 1.2 percent for recycling had been utilized. The entire balance wastes are being dumped in that land openly. Accordingly, it was observed that the sabha had not paid attention for a proper solid waste management and faced with a big environmental problem. Further, a sum of Rs. 1,377,160 had been spent in three instances during the year under review. to cover the waste dumped in the open ground with earth,

3.4 Human Resources Management

While there were 18 vacancies as at 31 Decemder 2015 03 Major Fighters and 15 Machinery Fighters in the Fire Extinguish Unit, 22 officers had been recruited in excess of the approved cadre of the Sabha without proper approval. Recruitment of employees and deployment in service had not been made methodically due to lack of action for clear identification and approval of required cadre.

4. Good Governance and accountability

4.1 Action Plan

An Action Plan including activities aiming at achievement of objectives mentioned in the Pradeshiya Sabha Act with a long term vision in terms of paragraph 04 of the Public Finance Circular No. 01/2014 dated 17 February 2014 had not been prepared for the year under review.

4.2 Internal Audit

Although revenue amounting to Rs. 127,948,668 and expenditure amounting to Rs. 98,975,999 had been incurred in connection with financial and operating activities of the Sabha during the year under review, attention had not been made to establish an internal audit division in order to carry out an internal check with regard to these transactions.

4.3 Implementation of Audit and Management Committees

Audit and Management Committee meetings in terms of Circular No. DMA/2009(i) dated 09 June 2009 of the Management Audit Department had not been conducted by the Sabha during the year under review by the Sabha.

4.4 Assets Management

(a) Idle and underutilized Assets

Eight items of assets valued at Rs. 12,851,871 had remained idle during a period from 2 to 20 years.

(b) Annual Board of Survey

Although all lands and buildings belong to the Sabha should be surveyed by an Annual Board of Survey in terms of Rule 218 of the Pradeshiya Sabha Rules Seiries of 1988, such a surey had not been carried out by the Ssbha.

(c) Assets used by Outside Parties

Galthambarawa Library Building valued at Rs. 738,000 had been given to Thamankaduwa Divisional Secretariat to keep a Service Home.

(d) Improper Use of Assets not Taken Over

- (i) Action had not been taken to get the ownership confirmed by obtaining deeds or ownership certificates for 76 plots of land shown under Land Buildings in the financial statements.
- (ii) Action had not been taken to get the registration certificates of 6 vehicles used by the Sabha transferred in favor of the Sabha.
- (iii) Action had not been taken during the under review as well, to get the certificates relating to government lands to be obtained from the Commissioner General of Lands, in order to confirm the ownership of 12 lands.

5. Systems and Controls

Special attention is needed in the following areas of control.

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration
- (d) Debtors and Creditors Control
- (e) Assets Management.