

Thanamalwila Pradeshiya Sabah

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Moneragala District  
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1. Financial Statements

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1.1 Presentation of Financial Statements  
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Financial Statements for the year under review had been submitted to the Auditor General on 28 March 2016 while Financial Statements relating to the preceding year had been submitted on 24 April 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabah on 23 June 2016.

1.2 Opinion

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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 2015, its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

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1.3.1 Accounting Deficiencies  
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Following matters are observed.

- (a) Action had not been taken to get assessed and account for the value of 92 plots of Land and all Buildings belong to the Sabha by a professionally recognized assessor.
- (b) Although the value of a tractor trailer as at the date of end of the year under review was Rs. 235,000, it had been accounted as Rs. 2,350,000 overstating a sum of Rs. 2,115,000 in the accounts.
- (c) Provision for Audit Fees for the year under review had not been made in the accounts.
- (d) Although a sum of Rs. 262,345 had been spent for a building constructed during the year under review in the Tanamalvila Compost yard that expenditure had not been accounted under Fixed Assets.

1.3.2 Contingent Liabilities

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Disclosure had not been made in the financial statements with regard to cases filed in the Wellawaya District Court against the Sabha by the Contract Societies in connection with 5 Works for which agreements had been entered into during the years 2005 and 2006.

1.3.3 Non-reconciled Control Accounts

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While total of balances relevant to 03 items of accounts according to financial statements was Rs. 2,080,474, balance according to the subsidiary registers had been Rs. 1,562,346.

1.3.4 Accounts Payable

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Following matters are observed.

- (a) Action had not been taken during the year under review as well, to settle the Audit Fees in arrears amounting to Rs. 247,490, payable for the past years as at 31 December of the year under review.
- (b) Action had not been taken during the year under review as well, to settle loan installments in arrears amounting to Rs. 2,688,584 and Interest in arrears amounting to 840,336 payable to the Local Loans and Development Fund as at 31 December of the year under review.

1.3.5 Lack of Evidence for Audit

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Three Items of Assets totaling Rs. 77,955,142 could not be satisfactorily vouched in audit due to non-submission of required information to audit.

1.3.6 Non-compliance with Laws Rules and Regulations.

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Following instances of non-compliance with laws, rules and regulations are observed in audit.

Reference to laws, Rules, Regulations  
and Management Decisions

Non-compliance

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(a) Pradeshiya Sabha Act No. 15 of 1987

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(a) Section 19 (1) (i)  
posts of

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Sixteen employees had been recruited for the  
  
Library Assistant, Watcher, Sanitary Laborer,  
Road Laborer, Pharmacist, Ayurvedic Laborer and  
Driver on casual and substitute basis without  
written prior approval of the Commissioner of  
Local Government and a sum of Rs. 2,419,896  
had been paid as salaries, Employees Provident  
and Employees Trust Fund Contributions during  
the period from July 2014 to December 2015.

(ii) Section 49

Seven Towers had been erected in the area of authority of the Sabha by 3 telephone companies without approval of the Planning Committee.

(b) Financial Regulations of the Republic  
Sri Lanka

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F.R. 71

Contrary to provisions in the Public Administration Circular No. 25/2014 dated 12 November 2014, 19 employees served in the posts on casual and substitute basis as Pre-school Matron, Library Assistant, Road Laborer, Sanitary Laborer, and Field Laborer, had been appointed to the permanent service outside the approved cadre.

2. Financial Review

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2.1 Financial Results

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According to the Financial Statements presented, the excess of revenue over recurrent expenditure for the year under review ended 31 December amounted to Rs. 7,742,191 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year according to financial statements amounted to Rs. 3,663,013. Accordingly, net increase in the financial results had been Rs. 4,079,178.

2.2 Revenue Administration

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2.2.1 Stalls Rent

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- (a) Rent in arrears due to be recovered from stalls belong to the Sabha as at the of the year under review amounted to Rs. 1,181,600.
  - (b) A sum of Rs. 778,750 at the rate of Rs. 6,000 per annum was due to be recovered from 19 stalls situated in Danduma, Moraketiya Junction.
  - (c) Action had not been taken to recover an arrears sum of revenue amounting to Rs.820,575 from individuals who got the lease of weekly fairs, beef stalls and fish boards of the Thanamalwila Pradeshiya Sabha during the period prior to the year 2015.

### 2.2.2 Court Fines and Stamp Fees

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A sum of Rs. 4,370,093 on account of Court Fines and a sum of Rs. 170,700 on account of Stamp Fees were due to be recovered from the Chief Secretary to the Provincial Council and other authorities as at 31 December of the year under review.

### 2.3 Surcharges

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According to surcharges imposed by me against the persons responsible, in terms of provisions of the Pradeshiya Sabha Act No 15 of 1987, a sum of Rs. 672,220 was due to be recovered as at 31 December of the year under review.

## 3. Operating Review

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### 3.1 Operational Inefficiencies

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(a) Although the Local Authorities should function as a supplier of services for operations and maintenance of street lamps on the basis of payment of 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. 91,670 had been incurred for this out of the Sabha Fund without taking action accordingly.

(b) 3046 Library Books valued at Rs. 579,698 and Equipment valued at Rs. 225,000 had been kept in 15 Libraries not in operation, without being used for any purpose.

### 3.2 Identified Losses

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While 384 G.I. Pipes had been provided to the Thanamalwila Pradeshiya Sabha though Buththala Pradeshiya Sabha on 29 November 2014, 313 G.I. Pipes were not produced at the physical inspection carried out on 17 May 2016, While Issue Orders had not been obtained for this, those had not been taken to the Inventory through Receipts Orders as well.

### 3.3. Assets Management

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Idle and Under-utilized assets

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Following matters are observed.

(a) Four Vehicles valued at Rs. 2,140,000 and two Trailers valued at Rs. 275,000 belong to the Sabha as at 31 December of the year under review had been kept idle without being used er Project during a long period of time.

(b) Weekly Fair Buildings constructed near 14<sup>th</sup> Post, belong to the Sabha had been kept idle without action being taken to lease out during a long period of time.

(c) Tractor Vehicle bearing No. RD-971 valued at Rs. 2,655,318 received from the Ministry of Local Government during the preceding year had not been taken to use even as at 31 December of the year under review.

### 3.4 Contracts Administration

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#### Bodhagama, Samadhigama Water Project

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Although a sum of Rs. 5,376,976 had been paid to a Rural Development Society and an Elders Association for laying water pipes for stages I, II and III of the Bodhagama Water Project under Isolated Villages Program, approval had not been obtained from the Water Supply and Drainage Board for laying water pipes. Water supply had not been made even up to 19 May 2016. When making payments in II stage of this Water Project, a sum of Rs. 400,000 had been over paid to the contracting society.

### 3.5 Solid Waste Management

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Estimates had been prepared for Rs. 2,595,222 for the construction of Sevenagala Compost Yard under Pilisaru Project and agreement had been entered into with a Rural Deployment Society to perform parts of work amounting to Rs. 1,431,060 out of that value. While a sum of Rs. 1,132,858 had been received to the Sabha from that Project. Although a sum of Rs. 775,000 had been paid out of that amount to the society, compost production works had not been commenced even up to 19 May 2016.

## 4. Good Governance and Accountability

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### 4.1 Budgetary Control

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According to material variances reflecting between the estimated revenue and expenditure through the budget prepared for the year under review by the Sabha and the actual revenue and expenditure for the year, the Budget had not been made use of as an effective tool of revenue and expenditure control.

### 4.2 Fulfillment of Environmental and Social Responsibilities

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Although every Public Institution in fulfillment of own vision and mission should identify Environmental and Social Responsibilities relevant to that institution and follow strategy for fulfillment of those, a methodology had not been prepared and implemented by the Sabha for identification of their Environmental and Social Responsibilities.

4.3 Annual Procurement Plan

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An Annual Procurement Plan had had not been prepared for the year under review by the Sabha.

4.3 Internal Audit

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An adequate internal audit had not been carried out through the Internal Audit Unit of the Provincial Council.

4.5 Audit and Management Committee

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Action had not been taken to establish Audit and Management Committees in terms of Internal Audit Guidelines No. DMA/2009/(1) dated 9 June 2009 of the Management Audit Department, even up to the year under review.

5. Systems and Controls

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Special attention is needed in the following areas of controls.

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration
- (d) Solid Waste Management

