

## **Thambalagamuwa Pradeshiya Sabha**

### **Trincomalee District**

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

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

The financial statements for the year 2015 had been presented to audit on 27 April 2016 and the financial statements for the preceding year had been presented on 06 July 2015. The report of the Auditor General for the year 2015 was issued to the Chairman of the Sabha on 23 November 2016.

##### **1.2 Qualified Opinion**

I am of opinion, except for the effects of matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of Thambalagamuwa 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 Statements**

###### **1.3.1 Accounting Policies**

There had not been revealed with accounts which followed accounting policies to prepare the financial statement of the Sabha.

###### **1.3.2 Accounting Deficiencies.**

The following accounting deficiencies were observed.

- (a) A vehicle of the Ministry of Provincial Councils and Local Government valued at Rs. 7,650,000 had been shown as an asset of the Sabha in the Balance Sheet.
- (b) According to the ledger, although the refundable deposits balance as at 31 December 2015 had been shown as Rs. 510,303, according to the financial statements, it had been shown as Rs. 837,052, thus, the refundable deposits balance had been overstated by Rs. 326,749.
- (c) According to the ledger, the actual festival advance balance as at 31 December 2015 had been shown as Rs. 128,750. Whereas, according to the financial statements, it had been shown as Rs. 155,000, thus, the refundable deposits balance had been overstated by Rs. 26,250.

###### **1.3.3 Lack of Evidence for Audit**

Fixed assets register for lands, building, plant, motor vehicle and furniture amounting of Rs. 53,684,419 had not been furnished to audit.

### 1.3.4 Non- compliance with Laws, Rules and Regulations

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Instances of non- compliance with laws, rules and regulations observed in audit are given below.

<b>Reference to Laws, Rules and Regulations</b>	<b>Non- compliance</b>
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(a) Pradeshiya Sabah (Financial and Administrative) Rules of 1988 (i) Rule 5 (12) of Chapter I	Although the cash, store and signing of cheques had been administratively entrusted to 03 officers, the security deposit had not been obtained from them.
(ii) Rule 193 of Chapter X	A Statement including the reasons for the variance after comparing the actual revenue and expenses with the budget for the year under review had not been prepared and rendered to audit.
(b) According to the Section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987	Action had not been made to assess and collect the annual assessment rates for the non-moving assets within the purview of the Sabah

## 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 of the Sabha for the year ended 31 December 2015 amounted to Rs. 438,752 as against the excess of expenditure over revenue amounting Rs. 2,557,015 for the preceding year.

### 2.2 Stamp Fees

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Action to recover the Stamp fees amounting of Rs. 248,534 for the period from 2013 to March 2015 had not been taken by the Sabha.

## 3. Operating Review

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### 3.1 Contract Administration

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The following observations are made.

- (a) The Technical Officer had certified that the renovation to a playground under the Pura Neguma Programme had been satisfactorily done and sum of Rs. 3,345,139 had been paid accordingly. However, sum of Rs. 191,875 had been paid for work not completed such as painting and installation of a water tank.

- (b) Although the Technical Officer had been certified that the plinth plastering work relating to the construction of wall for vehicle parking under Criteria Based Development Grant at a cost of Rs.790,460 had been completed and paid a sum of Rs. 59,400 by the Sabha. However, it was revealed in the audit inspection carried out on 25 August 2016 that the entire works had not been completed. Technical Officer had been certified that the plastering works in wall extended 300 m<sup>2</sup> had been completed and a sum of Rs. 128,400 had been paid by the Sabha. However, it was revealed in the audit inspection carried out, only 140 m<sup>2</sup> the plastering works had been completed in walls Hence, a sum of Rs. 68,480 had been over paid for works which was not done of 160 m<sup>2</sup> by the Sabha.

Further, although the painting works in wall extended 300 m<sup>2</sup> the only had been completed 162.6 m<sup>2</sup> and a sum of Rs. 109,687 had been paid by the Sabha for 437 m<sup>2</sup> as confirmed by the Technical Officer. Hence, an additional amount of Rs. 68,875 had been over paid for an area of 274.4 m<sup>2</sup> and a sum of Rs. 4,375 had been paid for filling both sides with soil. However, the entire work had not been completed.

### **3.2 Management Inefficiencies**

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The following observations are made.

- (a) Although a Community Centre had been added to black list the contractor on July 2015 by the Sabha contract had been awarded at a sum of Rs.399,608 again on December 2015.
- (b) Although the sabha had used 05 vehicles donated by other Institutions for the 02 years. Action had not been taken by the Saha to transfer the ownership of the vehicles up to 25 August 2016 .
- (c) Nine receipt books used by the Sabha in 2013 and 2014 had been misplaced. However, the former Secretary and 05 employees who were responsible for it had agreed to pay the loss by the letter dated 17 February 2015 and a sum of Rs. 160,900 had been paid by them for 02 receipt books on 08 February 2016. However, disciplinary action had not been taken against them in terms of Eastern Province Financial Rule No. 71.3.
- (d) Although a sum of Rs. 11,999,424 had been obtained for Office building construction from Local Loan and Development Fund in 2012, out of that, action on Rs. 11,874,944 as Loan amount and Rs. 2,451,384 for that intrest had not been taken to settle up to date.

### **3.3 Environmental Issues**

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If the Sabha had putted near the Kandy Road the waste and sewerage collected waste in area within, elephant, other animal and environmental may be affected by them.

### **3.4 Uneconomic Transactions**

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According to the Section 4.1 of Circular No. 02/2011 dated 24 February 2011 of Department of Pension, contribution money for Employees Provident fund should be paid for casual and temporary employees who had worked in the Sabha. Contrary that, contribution for Employees Provident fund and Employees Trust fund of all employees who had worked in the Sabha had been paid. However, contribution for Employees Trust fund of 02 employees during the period

from January 2012 to April 2014 had not been paid due period and a sum of Rs. 40,919 had been paid as fine.

### 3.5 Idle Assets

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The following observations are made.

- (a) 02 vehicle belonging to the Sabha had remained idle without used by repair more than 02 years.
- (b) Although market building situated Tampalakamam belonging to the Sabha had been repaired for a sum of Rs. 531,996 on 23 December 2015, this building had remained without used intended purpose up to 24 August 2016.

### 4. Human Resources Management

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The information relating to the approved cadre and actual cadre as at 31 December 2015 is given below.

Category of employee	Approved cadre	Actual cadre	No. of vacancies	Excess
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Executives Grade	01	01	-	--
Subordinates	18	16	02	--
Minor staff	28	40	-	12
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	47	57	02	12
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The posts of 02 Subordinates had remained vacant for more than several years.

### 5. Systems and Controls

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

Items	Evidence not made available for audit
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(a) Fixed assets control	Proper maintenance of Fixed assets register
(b) Contract Administration	(i) When contract awarding, not followed the tender calling producer. (ii) When contract awarding to Community Centre, not followed the Finance Commission Circular.