

Thumpane Pradeshiya Sabha
Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year under review had been presented for audit on 28 April 2017 and the financial statements for the preceding year had been presented for the audit on 31 March 2016.

1.2 Qualified Opinion

I am of opinion that, except the effect on the financial statements of the matters referred in paragraph 1.3 on this report, the financial statements have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the state of affairs of the Thumpane Pradeshiya Sabha as at 31 December 2016 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

According to the confirmation letter of 31 December the domestic loan development fund balance was Rs.6,835,682. However, in the financial statements it mentioned as 6,822,150. Therefore, there was a shortage of Rs.13,532.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

While the total 09 balances of accounts receivable as at 31 December 2016 amounted to Rs.18,304,322 a balance that had elapsed more than 1 year, amounting to Rs.4,132,368 had been included therein.

(b) Accounts payable

While the construction works creditors Rs.15,924,293 of the balance of accounts payable amounting to Rs.21,050,036 as at 31 December 2016 and account balance payable balances over a period of one year amounted to Rs.12,759,432.

1.3.3 Non compliance with Laws, Rules and Regulations.

Non-compliances with the provisions of the following laws, rules and regulations were observed during the course of the audit.

Reference to laws, rules and regulations -----	Non compliance -----
(a) Pradeshiya Sabha (Financial and administrative) Rules of 1988 -----	
(i) Rule 5(11)	Transits money and the buildings of the council were not insured
(ii) Rule (19)	Although all the sub document books should be kept under the council secretary those are kept under the main clerk
(iii) Rule 207	Although the supplement of store materials should be occurred in accordance with the general competency, there were the purchases of Rs.76,150 on exterior informal price processing.
(iv) Rule 218	All the lands and buildings of the Sabha were not protected through committed an annual survey.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----	
(i) FR110	Although there were losses to vehicle and other properties of the council they were not maintained registers to record the losses
(ii) FR 371(2)(c)	Advance amount of Rs. 923,289 that given between the periods of 2009 to January 2015 at six times were not settled until the end of the year under review.
(iii) FR 571(3)	Action in terms of financial regulation had not been taken in respect of deposit amount of Rs.259,020 that deposit in 17 times in respect of the year's 2010,2011 and 2012
(C) Circulars -----	
(i) Section 02 Circular No.15/2001 of Public Administrations dated on 07 August 2001	There was not using time machine for note the attendance of officers in the Sabha.

(ii) Section 07 of
Circular No:1980/46 of Commissioner of
Local Government dated on 31st
December 1980

Six stalls had been subleased in the Galagedara
shopping complex

2. Financial Review

2.1 Financial Results

According to the revised financial statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to 8,456,901 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.6,788,128. When compared with the preceding year, an increase of Rs.1,668,773 was shown in the financial results in the year under review.

2.2. Revenue Administration

2.2.1 Rates

Following matters are observed.

- (a) While the arrears rate is amounted to Rs.410, 548 as at 1 January in the year under review the Rs.172,731 of that amount had been recovered in the year. The billed revenue in the year is amounted to Rs.881, 903 while the amount of Rs.675,623 of that had been collected. The percentages of recovered amounts from of the arrears and billed amounts in the year under review are 42 percent and 76 percent in respectively, while the balance of arrears at 31 of December is amounted to Rs.444,097.
- (b) Balance of receivable rates coming down from about five years from the Department of Agrarian Development is amounting to Rs.16,372 as at 31 December 2016 and actions had not been taken to recover that.
- (c) Rates are collected also in the year under review, on the yearly assessment of the year of 2004.

2.2.2 Lease Rent

Following matters were observed.

(a) Lease Out The Stalls Of The Shopping Complex That Proposed to Construct

Without making plans or an estimate of constructing 9 stalls had rented out in front of Galagedara Madige trade complex, Hataraliyadda public market and the Aludeniya public library by noticing in a news paper add at a cost of Rs.18,398, calling for tenders and had got a tender amount of Rs.512,000 for transferring trade rights of 3 stalls as the payment from two rent holders and it had been detained general deposit account.

(b) Rent Out the Shops without Agreement

15 shops had been rented out without an agreement.

(c) Arrears Shop Rent Income

Balance of arrears, rent income as at 31 of December in the year under review is amounted to Rs.731,887 from 44 shops while that amount was being brought during a period of 03 months.

(c) Closed Stalls

Although the shopping complex had been constructed with the aim of to providing utility service for the people in the province, 30 shops in 05 shopping complex was closed as at 31 December 2016.

(d) Leasing Stalls In Hataraliydda Shopping Complex

Without making a regular assessment report, the rental of 48 stalls had been assessed by the income examiners of the Sabha in the year 2015, while the Sabha was decided to recover 50 percent of that amount there were losses to the Sabha fund of Rs.774,900 because of exterior agreement on 1 January 2015 that agreed to recover 50 percent of rental for five years.

2.2.3 Other Income

(a) Three Wheelers' Parking Charge

The balance of receivable parking charge from registered 525 three wheelers as at 31 of December 2016 amounted to Rs.1,089,835.

(b) Water Charges

While the arrears water charge as at 31 of December 2016 amounted to Rs.612, 065, balance which had been elapsed more than a year amounting to Rs.397,651 were included therein.

(c) Garbage Taxes

A sum of Rs.196,000 that had receivable from 02 private entities as at 01 January 2015 had not been recovered.

3. Operating Review

3.1 Performance

Following matters are observed.

(a) Although the total expenditures of Sarath Amunugama stadium is amounted to Rs.1,408,796 as salaries and wages of stadium guardian, helper and charley and

electricity, water supplement and as stadium maintenance, the earnings were amounted only Rs.234,000 within the year.

- (b) Although in the under review, six projects which planned to carry out under the Sabha fund with the value of Rs.1,800,000 had got approval at the last of the year, any action had not been taken to perform three projects of them.
- (c) The Sabha should deploy more than 30 percentage from auto proceed revenue on development activity in terms of Pradeshiya Sabha act. Although the Sabha had been earned a sum of Rs. 20,497,248 as recurrent revenue at the end of the year under review, it had deployed only Rs.509,142 on the affairs of development that is less as 05 percentages.

3.2 Management Inefficiencies

Following matters are observed.

- (a) There was excess of 17 persons and deficiency of 09 persons existed when comparing the approved and authentic workforce.
- (b) Although Sabha had been followed on road inventory, actions had not been taken to update the inventory with the roads that published in the gazette from time to time.
- (c) Although the Sabha had been earning a sum of Rs.1, 188,300 by renting out the Sarath Amunugama stadium, auditorium, and JCB machine and road roller in the period of January to December of 2016 it had not been executed by laws for that.

3.3 Operational Inefficiencies

Following matters are observed.

- (a) In the year 2016, although 39 unauthorized constructions were identified and only the first notice had issued about 35 of them, any legal actions had not been taken.
- (b) The receivable employee advance of Rs. 176,694 that should be received from officers who transferred before from 2004 and the years of 2008, 2015 and 2016 had not been recovered until the last day of the year under review.
- (c) Out of 407 applications of building plans that received for approval during the period of years 2014 to 2016, 368 applications had been approved. However, out of those, certificates of compliance had been issued only for 34 applications.

3.4 Transactions of Contentious Nature

Following matters are observed.

- (a) A motor vehicle no.301-5762 that vested to Ministry of Industrial of Central, Provincial Council and had givento use for the Sabha, had been faced to an accident. Although the Sabha had been taken as estimates of the amounting of Rs.173,120 by advert the vehicle to an Ambathenna mechanical engineer unit on 19 June 2015, the vehicle had carried back to the Sabha on 28 April 2017 without any repair. Any actions had not been taken to recognize the responsible parties or recover the losses through an experiment according to the FR 104.

- (b) Although they had been entered into an agreement about rent out a shop that numbered 28 in Hataraliyadda shopping complex, although it had agreed to sub lease on the direct affairs of former chairman, at a monthly rental of Rs.3,875 for 05 years, it had been leased out on over price away from the articles of the agreement and also, any actions had not been taken to pay either amount of the agreement to the Sabha.

3.5 Idle/Underutilized Assets

Following matters are observed.

- (a) Four vehicles which worth of Rs. 29,185,519 and three vehicles with an unrecognized value had been under-utilized, during the period of more than a year.
- (b) The manufacturing machine with the value of Rs.124,319 that was purchased to use in the project of interlock stone manufacturing and 06 concrete tanks, which sized of 8'x5' had not been utilized from the year 2013, and it observed that those were facing natural calamities.

3.6 Uneconomic Transactions

Following matters are observed

- (a) Assign and develop private land in front of the Galagedara bus stop
-

A private land that belongs to 06 parties situated in front of the Galagedra bus stop was undertaken and had been decided to build a fair, a three-wheel park and walking street at the congress meeting hold on 26 February 2013 by the Urban Development Authority. A sum of Rs.5,500,000 loan amount had been taken from the Local Loans and Development Fund on 26 of the August 2014 and deposit it at Urban Development Authority on the same day without calling for agreement or remonstrance of the proprietaries. However, hence the land had not been undertaken until 31 of December 2016, there was a loss of interest amount of Rs. 1,068,932 that paid Local Loans and Development Fund until the date of 31 December 2016.

- (b) Construction of the Common Shopping Complex In Front Of Galagedara Sujatha Girls' College
-

Although the constructions had been started after making an estimate of Rs.6,625,006 in the year 2014, and expend a sum of Rs.2,309,526 until the day of 31 December 2016, the construction had been discontinued because it was not performed properly. The loan amount of Rs.2,500,000 that taken from the Local Loans and Development Fund had been utilized in the above construction, so resulting a loss of Rs.389,779 that paid as the interest to the Sabha.

3.7 Solid Waste Management

It was observed that solid waste that collected daily in the area of authority of the Pradeshiya Sabha are being dumped by 02 tractors on the land that named Dikoyawaththa/Greenwood Waththa that situated in Galagedara area, without permission of the Central Environmental Authority.

4. Accountability and Good Governance

4.1 Budgetary Control

Following matters are observed

- (a) Even the budget should be prepared on estimates of Technical officers by after amending the priority to proposals received in preceding year development affairs that expected to carry out during the year under review, without doing so Sabha had been approved the estimate that made using gross amounts of Rs.725,000 for the 04 items of capital expenditures.
- (b) According to the budget had made for the year under review, there were variations in a range of 21 to 68 percent between estimated and actual expenditures of 04 items, accordingly it was observed that the budget had not been made use of as an effective tool of management.

4.2 Annual Procurement Plan

The Sabha had been expended a sum of Rs.69,763,763 on capital expenses without making a procurement plan.

4.3 Corporate Plan

Sabha had not made a corporate plan as covering the year under review.

4.4 Action Plan

There were not made an action plan regarding the year under review.

4.5 Internal Audit

Adequate internal audit had not been taken place at the Sabha in the year under review.

5. Systems and Controls

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

- (a) Revenue Administration
- (b) Asset Management
- (c) Debtors and Creditors
- (d) Stores Control
- (e) Budgetary Control