

Thissamaharama Pradeshiya Sabha
Hambanthota District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 31 March 2017 while Financial Statements relating to the preceding year had been submitted on 04 April 2016. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 28 August 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report the financial statements give a true and fair view of the financial position of the Thissamaharama Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

The information regarding the entity considered in the financial statements had not been disclosed.

1.3.2 Accounting Deficiencies

The following accounting deficiencies are observed during the course of audit.

- (a.) The value of creditors and the debtors of 03 Capital Projects had been understated by Rs.666,782 and the value of creditors and debtors in another 05 projects had been overstated by Rs.428,736.
- (b.) Expenditure totaling Rs.2,630,098 and the value of 10 vehicles, 29 sewing machines and equipment 53 furniture and equipment had not been assessed and accounted in the year under review.

1.3.3 Unreconciled Control Accounts

Differences totaling Rs.9,647,005 was observed between balances of items of 18 accounts included in the financial statements and the related balances appearing in the schedules.

1.3.4 Accounts Receivable and Payable

(a.) Accounts Receivable

Action had not been taken to recover remaining arrears of 03 items of revenue totaling Rs.28,540,041 during the year under review.

(b.) Accounts Payable

- (i.) Action had not been taken during the year under review to pay any installment of the loan obtained from the Local Loans and Development Fund during year 2004 amounted to Rs.2,395,947 and its interest in Rs.2,491,784.

- (ii.) Action had not been taken to remit 02 kinds of various taxes collected by the Sabha totaling Rs.408,882 to the Commissioner General of Inland Revenue.
- (iii.) Action had not been taken to settle the payable balances for sundry debtors and industrial debtors respectively Rs.6,195,744 and Rs.28,507,908 as at the end of the year under review.

1.3.5 Lack of Evidence for Audit

Title deeds, vesting orders, licence of lands totaling Rs.23,683,159, the Register and detailed schedules for the Sabha deposits totaling Rs.34,676, The detailed schedules under 11 items on accounts totaling Rs.37,281,389 had not been furnished and as such these could not be satisfactorily examined in audit

1.3.6 Non-compliance with Laws, Rules, Regulations etc.

The following instances of non-compliance with laws, rules and regulations were observed in audit.

Reference to Laws, Rules, Regulations etc.,	Non-compliance
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(a) Pradeshiya Sabha Financial and Administrative Rules of 1988 -----	
(i.) Rule 185	Although there were excess average cash balances in the Pradeshiya Sabha General Account and the Industrial Account respectively Rs.1,985,113 and Rs.3,135,863 they had not been concerned in investing.
(ii.) Rule 193	Reasons had not been presented for the excess and deficit on items of expenditure, actual expenditure compared to the budgeted and supplemented expenditure
(b) Financial Regulations of the Republic of Sri Lanka -----	
(i.) Financial Regulation 571(3)	Action had not been taken to disposition 06 deposit balances over 02 years totaled Rs.3,149,446.
(ii.) Financial Regulation 371	Even though the advance payment had to be made immediately after completing the given tasks, the Advance Payment of Rs.168,649 received in 2012 and 2013 had not been settled by 12 May 2017.

- (c) Paragraph 4.3 (a) and (e) of the letter of the Director of Public Finance No.PED/RED/2015/08 General(i) of October 2015. Action had not been taken to recover loan balances totaling Rs.20,261 of 02 transferred officers and 04 dismissed, resigned and retired officers.

1.3.7 Transactions without Authority

Although a new engine had been installed for a Cab owned by the Sabha the registration information was not legally amended.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.14,023,232 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.7,033,766. Accordingly, an improvement amounting to Rs.6,989,466 is shown in the financial results of the year under review.

2.2 Analytical Financial Review

The following matters are observed.

- (a) Recurrent expenditure was at a high rate about 85 per cent of the total revenue during the year under review and it did not disclose a favourable state for financial management.
- (b) The recurrent expenditure had been exceeded the self-generated income of the Sabha continuously during the last two years and the year under review.
- (c) The balance of the Accumulated Fund account was a negative figure of Rs.11,304,323 at the end of last year and it had been improved to a negative figure of Rs.49,936,511 at the end of the year under review. Accordingly, the Accumulated Fund disclosed a deterioration of Rs.38,632,188 during the year under review compared to the preceding year.
- (d.) Adjustments through the Accumulated Fund such as, accounting for unaccounted loan obtained from the Local Loans and Development Fund during the years 2004 and 2005 and its interest of Rs.42,464,461, and correcting the amount of Rs.5,515,970 of Donations to “Gamin Gamata Dorin Dorata Karmantha”, had made an improvement by Rs.4,936,511 in the debit balance.

2.3 Revenue Administration

2.3.1 Performance in Collection of Revenue

The progress in collection of revenue for the year under review as follows.

- (a) The recurrent revenue that had been billed for the year under review had been Rs.46.78 million for the year under review and from that Rs.32.15 million had been collected. Therefore, the progress in collection of revenue was 69 per cent.

- (b) Receivable income balance at the beginning of the year under review had been totaled to Rs.14.29 million from that Rs.6.35 million was collected. Therefore the progress of collecting the receivable income was about 44 per cent.

2.3.2 Rates and Taxes

Following observations are made.

- (a.) The opening deficit was Rs.3,588,302 and with the billings of Rs.2,297,482, Rs.6,555,784 had been recoverable. It had been recovered 66 per cent from the billing during the year and 33 percent from the deficit.
- (b.) The value of the receivable rates and taxes at the end of the year under review was Rs.3,314,958. Action had not been taken in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No.15 of 1987 to recover the receivable rates and taxes.
- (c.) Rates and taxes had been charged for the year 2016 according to the assessment made in the year 2007, even though it has to make an assessment every 05 years to impose Tax.

2.3.3 Lease Rent

Following observations are made.

(a.) Stall Rent

- (i.) Stall rents amounting to Rs.819,177 for 246 stalls owned by the Sabha had not been recovered to the date of 31 March 2017, any legal action had not been taken to recover the receivable stall rents with its penalties or to acquire the possession.
- (ii.) Even though according to the Paragraph 05 of the Circular No.දපප/පපාක/2010/01 of Commissioner of Southern Province on 27 December 2010 all the agreements must be updated every 03 years, it had not been taken any action accordingly on agreements of 283 stalls owned by the Sabha.
- (iii.) Monthly billing of 30 stalls had been stopped since several years and action had not been taken on rent of those stalls, to repair or to provide relevant infrastructure and rent them again by the Sabha.

(b.) House Rent

Receivable rent had been about Rs.76,075 of for the houses at the end of the year under review, but action had not been taken to recover that amount.

2.3.4 Court Fines and Stamp Fees

Court Fines Rs.976,688 and Stamp Fees Rs.10,178,017 were receivable from the Chief Secretary to the Southern Provincial Council and other authorities as at 31 December 2016.

3. Operating Review

3.1 Management Inefficiencies

Following observations are made.

- (a.) According to the schedule of renting vehicles the vehicle rent receivable was Rs.516,030 and it included a sum of Rs.364,900 for the year 2014 and 2016. That money had not been recovered to the date 31 May 2017.
- (b.) Action had not been taken to acquire the possession of 15 vehicles that have been used by the Sabha.
- (c.) Sabha had not maintained and updated a proper schedule for Tender Deposits and Miscellaneous Deposits.
- (d.) Action had not been taken to the date of 12 May 2017 to auction two tractors and a generator under the recommendation given by the Board of Survey in the year 2016.

3.2 Idle/Underutilized Assets

Action had not been taken to repair and utilize or discard two tractors, a pajero, a block stone manufacturing division, two motor boats, 29 sewing machines and equipment and 172 4' and 2' tube lights owned by the Sabha had been idled from a long time.

3.3 Solid Waste Management

The following matters are observed.

- (a.) Except the waste that dumped to the Centre of Solid Waste Management, the rest of the waste collected daily had been dumped to the land owned by the Department of Forest Conservation in Udgandara area since 20 years.
- (b.) It had not been investigated if it had been released any harmful gasses to the environment when the waste had been burnt in a part of the land where the waste had been dumped. A Public Health Inspector had not been supervised these activities.
- (c.) A protective fence had not been built around the land where the waste had been dumped therefore, elephants, cattle, and other wild animals had been entered to it, and even external parties had being dumped waste in that land.
- (d.) Waste had been dumped in the open land without giving any consent on the risk occurred on the environment and also to the species by the radioactive waste and it had been detained on a part of the land where the compost plant.
- (e.) Space had been available to breed infectious flies and mosquitoes in several places where the wasted plastic, glass, clay posts and tyres. It had not been taken any action to spray flint oil to stop distribution of diseases or to stop the odor spread through the area.

3.4 Human Resource Management

The approved Cadre included 18 vacancies for 10 posts and 51 excess amount of employees for another 10 posts. 37 out of 51 excess employees had been appointed on csual basis. Action had not been taken to fill the vacant posts and to regulate the excess number of employees at the end of the year under review.

4. Good Governance and Accountability

4.1 Budgetary Control

Budget had not been used as an effective control tool as it had been observed, savings of complete provisions made for 17 items of expenditure amounted to Rs.1,091,500, transfers of complete provisions made for 06 items of expenditure on other items of expenditure amounted to Rs.1,010,000 and adverse variances of 02 items of expenditure amounted to Rs.8,135,873.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Budgetary Control