

Thamankaduwa Pradedshiya Sabha

Polonnaruwa District

01. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 29 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 sent to the Secretary of the Sabha on 30 June 2017.

1.2 Qualified Opinion

In my opinion, except for the effect 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 Thamankaduwa Pradeshiya Sabha as at 31 December 2016, its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments of Financial Statements

1.3.1 Accounting Policies

Store Advance Accounting Procedure had not been followed

1.3.2 Accounting Deficiencies

Following Deficiencies were observed in Audit

- (a) A sum of Rs. 177,403 expended for the year under review for the development of Athumalpitiya pre-school building had not been capitalized.
- (b) A sum of Rs. 220,850 expended for curtaining Pradeshiya Sabha Auditorium, Bandhiwewa Auditorium and Badhiwewa Ayurvedic hospital had not been capitalized.
- (c) Debit Balances amounting to Rs.850, 000 receivables for the projects for the year under review had been omitted from the Financial Statements.
- (d) The Value of a Tractor belongs to the Sabha had been under accounted by Rs. 50,000 and the value of gully bowser had been over accounted by Rs. 900,000.
- (e) Although the value of the four stall rooms and Land in new town belongs to the Sabha is Rs. 7,050,000, it had been accounted to Rs. 705,000, the value of assets had been understated by Rs.6, 345,000.
- (f) A sum of Rs. 264,898 expended for construction of toilet system in the land of Polonnaruwa fair had not been capitalized.

1.3.3 Un reconciled Control Accounts

A difference of Rs. 2,331,496 was observed in two accounting subjects between balances in financial statements and subsidiary records.

1.3.4 Receivable Accounts

Three Accounts Balances aggregating to Rs. 20,876,050 in financial statements at the end of the year under review had not been settled from the year 2002 and salary reimbursement amounting Rs. 1,715,017 had not been settled from the year 2014.

1.3.5 Lack of Evidence for Audit

Eighteen Accounting subjects in financial statements amounting to Rs. 635,665,589 had not been checked satisfactorily in Audit, due to non availability of ownership confirming documents, Board of Survey reports and descriptive subsidiary records.

1.3.6 Non- Compliances with Laws, Rules and Regulations etc.

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

	Reference to laws, rules and regulations	Non-compliance
	-----	-----
(a)	Pradeshya Sabha Act No. 15 of 1987	

(i)	Section 149	Fees had not been received for the year 2016 from six hotels registered in Tourist Board in the Sabha area.
(ii)	Section 150(1), 152(1) and 153(1)	List of Industries, Trading Business Professions and Lands not developed had not been prepared and submitted to the Secretary on or before 31 march of the year
(b)	National Environmental Act No. 56 of 1988	

		According to the authority of the Sabha, environmental protection certificates had not been given to the 31 enterprises situated in the area and five enterprises had not been followed up about expired authority.

(c) **Pradeshiya Sabha (Finance and Administrative) Rules of 1988**

(i) Rule No. 193

Statement of explaining matters for excesses or balance without expended, with budgeted financial provision and supplementray under each revenue subjects had not been prepared and submitted to the Audit at the end of the every years.

(ii) Rule No.214

When the April of 2017, Property and Good belongs to the sabha had not been surveyed. The board of survey for the year 2016 had not been occurred up to April 2017 and survey

about the books in 4 libraries had not been occurred for several years.

(d) **Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

(i) F.R. 104

Primary Investigation had not been carried out about accident occurred during the year 2012 .

(ii) F.R. 110

Damages Register had not been maintained regarding vehicle accidents

(e) **Establishment Code of the Republic of Sri Lanka**

Section 4.5 in Chapter xxiv

No action had been taken to collecting long term Loan areas balances amounting to Rs. 96,185 receivable from four transferred officer.

(f) **Circulars and Letters**

**Circular No. 1980/40 dated 31
 December 1980
 of the Commissioner of Local
 Government**

(i) paragraph 02

Fees had been levied even in the year under review according to the revisions made in the year 2008 without revising the rent for the stalls every 05 years, relating to 240 stalls belonging to the Sabha.

(ii) Paragraph 07

Although the stalls could not be subleased by the Lessees, five stalls had been subleased for rent from **Rs.** 15,000 to Rs. 20,000.

02 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 2016 amounted to Rs. 24,976,586 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 28,972,672.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information furnished by the Secretary of the Sabha relating to Estimated Revenue, Actual Revenue and Arrears of Revenue relevant to the year under review are shown below.

2.2.2	Item of Revenue -----	Estimated revenue in the year 2016 ----- Rs.	Actual Revenue ----- Rs.	Cumulative Arrears as at 31 December ----- Rs.
	(i) Rates and Taxes	15,560,600	11,816,970	13,622,124
	(ii) Lease Rent	17,360,045	19,027,484	1,428,817
	(iii) License Fees	2,210,000	5,463,243	-
	(iv) Other Revenue	43,094,650	34,541,341	24,481,277

Rates and Taxes

The collected amount had been Rs. 8,223,600 which was only 43 percent of due amount of Rs. 19,295,950 with bills in the year at 31 December of the year under review.

2.2.3 Stall Rent

According to the agreement, lump sum money should be paid within 14 days from the date of acceptance of the tender in leasing out stalls belong to the Sabha, a sum of Rs. 1,142,674 due from 28 stalls had been in arrears during a period more than 10 years.

2.2.4 Other Revenue

- (a) Action had not been taken to receive water bills should be received from the customers in Sinhapura water project belongs to the Sabha from the year 2014 had been in arrears.
- (b) Fees had not been received from the three-wheeler parks situated in the Sabha area.

2.2.5 Court Fines

Amounting to Rs. 8,107,856 which was 48 percent of the due court fines income at 31 December of the year under review had been in arrears.

2.2.6 Stamp Duty

Stamp Duty revenue amounting Rs. 10,473,643 should be received as at 31 December of the year under review had not been received.

3. Operating Review

3.1 Management Inefficiencies

Following matters were observed

- (a) The Attendance of eight labours out of 38 were from two days to twelve days for a month and situation had been affected for essential services such as solid waste management.
- (b) Sabha had not been entered in to the agreements with lessee for seven stall rooms of single stair and five stall rooms of two stairs situated in Polonnaruwa junction belong to the Sabha and the agreement of six stall rooms had been un- completed.
- (c) Although according to the lease agreement, it should be cancelled and arrears should be recovered from the lessee who have been arrears more than three months continuously 19 stall rooms belongs to the Sabha had been in arrears from 03 month to 13 month.
- (d) Ownership of the four vehicles which are being used by the Sabha had not been taken over to the Sabha.
- (e) Action had not been taken to get the Certificate of Government Land to confirm the ownership of 12 lands had not been taken from Commissioner General of Land.
- (f) Receivable outstanding balance of seven substitute health labours not identified resigned period certainly was Rs. 17,600.
- (g) Decreasing pattern of the patients who came to the clinic in Thamankaduwa Ayurvedic Center had been observed due to the lack of the drugs. According to the Annual Budget, although a sum of Rs.300, 000 had been allocated for Ayurvedic drugs, amounting to Rs. 143, 300 which were only 47 percent had been expended.
- (h) There were 28 vacancies in the posts of Secretary and Officer in Charge belongs to the tertiary level and the post of Development Officer, Accounting Assistant, Librarian, Technical Officer, Working Inspector, Revenue Inspector, Health Inspector, Fire Fighter, machinery Fighter belong to the secondary level.
- (i) 12 employees had been recruited on the substitute basis without proper approval of Commissioner of Local government in addition to the approved cadre and a sum of Rs. 3,120,700 had been paid in Sabha Fund as salaries.

3.2 Operational Inefficiencies

Sport Equipments fixed in Children Park built in the part of the Rajarata Nawodaya Stadium had not been taken to the inventory and it was observed that those had been remained unsafely without guardianship of any officer and without any maintenance.

3.3 Idle and underutilized Assets

Following matters were observed

- (a) Balances of three bank current accounts belong to the Sabha totaling Rs. 1,034,634 had been dormant since a number of years.
- (b) Six items of assets belong to the Sabha valued at Rs. 5,310,755 had remained idle during a period from 3 to 5 years

- (c) A balance of tube well equipments amounting Rs. 64,347 included stock in hand at the end of the year under review had been remained idle from the year 2008.
- (d) Various 38 assets items and 147 tractor items taken over when Tractor Corporation building was taken over to the Sabha in the year 2013 had been remained idle.

3.4 Identified Losses

When Bandhiwewa Leelarathna Wesingha Auditorium belong to the Sabha was rented out, a sum of Rs. 135,000 should be received in 27 instances in the year under review had not been received.

3.5 Solid Waste Management

Following matters had been observed.

- (a) The salary paid to 05 labours for waste classification had been idle expenses because, a quantity of about 9 – 10 tons of wastes getting accumulated per day in the area of authority of the Sabha had been collected without waste classification and re-classification after wastes were bringing to the waste recycling center.
- (b) Wastes made compost had been dumped because Net equipment had not been prepared for sift before get ready for sale of wastes made compost.
- (c) There were not proper process to remove toilet wastes healthy in the area of authority of the Sabha and proper land to remove wastes therefore responsibility of the Sabha had been breached and receivable revenue had been lost in the Sabha.

04 Systems and Controls

Special attention is needed in the following areas of control

- (a) Fixed Assets Control
- (b) Accounting
- (c) Revenue Administration
- (d) Debtors and Creditors Control
- (e) Cadre Administration
- (f) Internal Audit