

Thawalama Pradeshiya Sabha
Galle District

1. Financial Statement

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 22 March 2018, and the report of the Auditor General on these financial statements was issued to the Chairman on 30 September 2018.

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 Thawalama Pradeshiya Sabha. as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following deficiencies were observed,.

- (a) Advance account balance at the end of the year under review had been overstated by Rs.33,770 in accounts.
- (b) Capital aids receivable and debtor provisions for developing of Ayurvedic centre, Thawalama had been overstated in accounts by Rs.1,400,000 and Rs.47,622 respectively.
- (c) Rs.38,653 being expenditure for obtaining electricity supply to Pradeshiya Sabha new building and Rs.18,000 spent on purchasing 06 Gas Sylinders had not been capitalized.
- (d) Survey charges of Rs.55,000 applicable to preceding year had been brought to account as an expenditure of the year underreview.
- (e) Rs.625,000 being cost of the Cab octioned during the year under review had not been deleted from Account on Motor Vehicles and Carts.
- (f) Capital expenditure of the year under review had been understated by Rs.2,000,000 in accounts.

1.3.2 Unreconciled Accounts

The following observations were made.

- (i) Variance totalling Rs.6,783,736 were observed between balances amounted to Rs.14,232,468 applicable to 06 Accounts shown in Financial Statements and balance appearing in supportive documents.
- (ii) A variance of Rs.765,691 was observed between total value of fixed assets and balance of account contributing from revenue to capital outlay.

1.3.3 Suspense Account

Instead of taking action to settle accounts by identifying & adjusting debit balance of Suspense Account of Rs.16,478 being brought forward over a period of 5 years that balance was shown deducting from current liabilities.

1.3.4 Accounts Receivable and Payable

(a) Accounts Receivable

05 account balances totalling Rs.2,979,248 which exceeded period of time ranging from 2 – 15 years appeared in debtors balance as at 31 December of the year under review had not been recovered.

(b) Accounts Payable

Action had not been taken to settle 03 account balance totalling Rs.194,729 appearing in creditors balance during the period from 1 – 4 years as at 31 December of the year under review.

1.3.5 Lack of written evidence for auditing

Non submission of information for audit

Due to non submission of required information it was not possible to successfully verify 10 items of accounts totalling Rs.43,549,185.

1.3.6 Non-Compliance with Laws, Rules, Regulations and Management Decisions

Instances relating to non-compliance with laws, rules, regulations and management decisions are given below;

Reference to laws, rules, regulations & management decisions -----	Value ----- Rs.	Non-Compliance -----
(a) Pradeshiya Sabha Act No.15 of 1987 Section 134	-	Attention had not been paid to identify developed areas within the limits under authority and to recover rates & taxes with the approval of Asst. Commissioner of Local Government.
(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka		
(i) FR 371(2)(b)	29,403	Advances being brought forward over a number of years had not been settled even by June 2018..
(ii) FR 570 & 571(1)(2)	794,786	Action had not been taken on 16 deposit balances.
(c) Public Administration Circular No.30/2016 dated 29 December 2016		Fuel burning test had not been carried out on 09 vehicles owned by the Sabha.

2. Financial Review -----

2.1 Financial Result -----

According to financial statements presented for auditing the excess of recurrent revenue over expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.529,386 asw compared with the excess of the recurrent revenue over expenditure for the preceding year amounted to Rs.1,126,512.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Revenue in Arrears

Information relating to estimated revenue, billed revenue, collected revenue and revenue in arrears of the year under review and the preceding year are as follows;

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total in Arrears as at 31 Dec. 2017	Estimated Revenue	Billed Revenue	Collected Revenue	Total in Arrears as at 31 Dec. 2016
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates & Taxes	363,236	281,096	320,295	430,230	258,000	177,516	350,178	469,429
(ii) Lease Rent	81,000	87,000	63,575	64,975	81,000	87,000	77,325	41,550
(iii) Licence Fees	122,000	122,000	25,000	101,000	40,000	40,000	36,000	4,000
(iv) Other Revenue	1,350,000	-	1,702,109	-	1,254,000	-	1,249,384	-
	1,916,236	490,096	2,110,979	596,205	1,633,000	304,516	1,712,887	514,979

2.2.2 Performance in Revenue Collection

Estimated Revenue of the year under review was Rs.1,916,236 while billed revenue had been Rs.490,096. The total revenue with the opening balance in arrears of Rs.514,979 was Rs.1,005,075. Of the total revenue recoverable total collected revenue amounted to Rs.408,870. Accordingly the total revenue in arrears at the end of the year was Rs.596,205.

2.2.3 Rates and Taxes

(a) Acre Tax

Opening balance in arrears was Rs.55,469 and with the year's billed amount of Rs.7,296, the total recoverable revenue had been Rs.62,765. During the year under review the total recovery amounted to Rs.2,459. Accordingly the revenue in arrears at the end of the year had been Rs.60,306.

(b) Rates & Taxes

Opening balance in arrears was Rs.413,960 and with the year's billed amount of Rs.273,800, the total recoverable revenue had been Rs.687,760. Total recovery of the year being Rs.305,700, the balance in arrears at the end of the year had been Rs.382,060.

2.2.4 Court Fines and Stamp Fees

Court fines of Rs.1,499,408 and stamp fees of Rs.2,101,891 had to be recovered as at 31 December 2017 from the Chief Secretary and other Authorities of the Provincial Council.

3. Operating Review

3.1 Performance

Matters revealed in the fulfillment of activities which were to be performed by the Sabha with regard to streamlining and maintaining of public health, common utility services and public roads as well as satisfaction and welfare of the people under section 3 of the Pradelshiya Sabha Act are as follows:

(a) Action Plan

Annual action plan had not prepared in respect of activities to be performed by the Sabha in terms of by laws enacted..

(b) Non Availability of Anticipated Benefit

The following observations were made.

(i) Provision of Water Supply for Weekly Fair in Opatha

Although Rs.134,117 had been spent under Provincial Development Grants, water supply had been totally disconnected even by 20 July 2018. Rs.27,058 had been paid for 02 work items not undertaken.

(ii) Water Supply to Opatha Sub Office

Although Rs.118,698 had been spent on this project, water pump had not been installed even by 20 July 2018 and water supply had been provided to the office. Rs.33,837 had been paid 03 wrk items not undertaken.

(c) Solid Waste Management

The following observations were made.

- (i) Buildings had been constructed 03 years ago in a land with no absolute ownership to the Sabha for solid waste management centre at a cost of Rs.1,683,125. However that project had been abandoned by the year under review.

- (ii) Removal, collection and transporting of waste had been made compulsory service through Gazette Notification No.2015/53 dated 20 April 2017 which stressed the necessity of establishing a separate unit and formulating a long-term plan for same. However the Sabha had not gained access to such a programme.

(d) Environmental Problems

Waste are not systematically collected within the area of authority and it was observed that due to indiscriminate dumping of waste fly/mosquito menace had been increased.

(e) Sustainable Development Targets

The Sabha had not prepared long-term plans for enhancing living standard and health of the people in the area of authority of the Sabha through global indicators for sustainable development goals and targets in the Agenda 2030 for sustainable development.

3.2 Human Resources Management

The following observations were made.

- (a) Vacancies in Secondary and primary class as at 31 December 2017 had remained at 02 and 08 respectively. However no action had been taken to fill the remaining vacancies or to regularize 04 excess employees.
- (b) No security had been obtained from Revenue Collecting Officers under Rule 180 of Pradeshiya Sabha (Finance & Administration) Rule 1988.
- (c) Staff loan balance in arrears amounting to Rs.112,388 belonged to 14 employees died, retired and transferred out had been remained unrecovered.

3.3 Operating Inefficiencies

Although lease agreements should be updated once in three years as per Circular No දපපා/පපාකො/2010/01 dated 27 December 2010, the lease agreement relating to Public Market Complex, Thawalama had not been updated.

3.4 Assets Management

3.4.1 Non Transferred Assets

Although 07 years had been passed since the receipt of 07 vehicles to the Sabha, no action had been taken to transfer these assets in the name of the Sabha.

3.5 Procurement

3.5.1 Contract Administration

The following observations were made.

- (a) Although Rs.116,121 had been spent on the repairing of part of the ceiling of the Ayurvedic hospital building utilizing imported timber and Rs.206,602 spent on applying two card timber preservations and Asbestos Roofing Sheets, local timber had been used for ceiling.
- (b) Excess payment of Rs.11,635 had been made on 02 work items of the relevant estimate of the library development project, thawalama..

4. Accountability and Good Governance

4.1 Budgetary Control

A considerable variance as indicated below was observed between budgetary and actual income/expenditure during the year under review. Therefore it was observed that the annual budget had not been adopted as effective financial management controlling mechanism.

- (a) Savings of Rs..10,431,294 belonged to 05 items of expenditure were shown, value of which ranged between 19 percent to 71 percent.
- (b) Adverse variance of one item of expenditure was Rs.633,382, value of which had been 227 percent.
- (c) Total of adverse variance of 06 items of revenue had been Rs.19,917,678 value of which ranged between 8 percent to 61 percent..

4.2 Internal Auditing

Sufficient internal auditing had not been made as per circular No. දපපා/යහ/01/නා.ව.ලේ dated 24 February 2014 of Local Govrnment Commissioner, Southern Province.

5. Systems and Control

Shortcomings observed at auditing were brought to the notice of the Sabha from time to time and special attention shall be paid to the following fields of control.

System -----	Defect -----
(a) Accounting	(i) Action had not been taken to settle account balances being brought forward in preceding years. (ii) Non correction of variance existing between accounts and related schedules.
(b) Fixed Assets	(i) Non maintenance of fixed assets register properly. (ii) Non identification of ownership of lands.
(c) Vehicle Control	(i) Action had not been taken to test fuel burning of vehicles. (ii) Non transferring of ownership of vehicles.
(d) Collection of Revenue	(i) Non implementation of formal arrangement to recover revenue in arrears. (ii) Non updating of stall using agreements.
(e) Staff Management	(i) Non regularization of staff (ii) Non recovery of loan balance in arrears.