

Thalawa Pradesiya Sabha
Anuradapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements of the year 2017 had been presented for audit on 05 April 2018 while the report of the Auditor General for the year under review was issued to the Chairman on 25 September 2018.

1.2 Qualified Opinion

In my opinion, except 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 Thalava Pradeshiya Sabha as at 31 December 2017, its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following are observed.

- (a) The court fine charge amounted Rs. 2,401,498 from February to April and as this had not been recorded, the court incomes had been under accounted by that amount.
- (b) Since the loan interest amount of Rs.1,013,806 that had paid for the loan taken from local Development loan fund as an expense, expenses for the year had been understated had not accounted.
- (c) Although the total construction cost with value added tax of the Thalava Public Shopping Complex building was valued at Rs.31,620,454, under the land and buildings it was valued as Rs.19,250,868, Therefore the fixed assets and capital contribution account had been understated in Rs.12,369,586.
- (d) Rs.1,979,927 that spent on the developp the land and building of the council in the year under review had not been capitalized.
- (e) Due to lack accurate accounts of indebtedness of 4 projects carried out in the year concerned, industry debtors had been over accounted in Rs.961,773 and industry creditors had been under accounted in Rs.995,734.
- (f) The operating income for the year under review had been over accounted in Rs.3,760,130 due to recording as the health services provided for the provincial road week in 2016 as a receipt.
- (g) At the end of the year, the amount of Rs.2,639,000 that and to be repaid at the end of the last year was credited to the accumulated fund without proper approval.

1.3.2 Unreconciled accounts

The following are observed.

- (a) A difference of Rs.128,014 was observed of the arrears of the value of assessed tax between the financial statements and the schedule as at 31 December.
- (b) An amount of Rs.1,237,749 difference was observed between 31st December of the year under review with the value of domestic loan development found and the relevant schedules and records under the non current liabilities.
- (c) The tender deposit document showed balance of Rs.2,200,726 while the ledger balance was Rs.2,149,719 and a difference of Rs.51,607 had been observed.

1.3.3 Receivable Account

Actions had not been taken to settle 4 balance of receivables amounting to Rs.36,026 since many years.

1.3.4 Lack of written evidence for audit

Due to lack of required information, amounts totalling to Rs.125,629,026 relating to 06 subjects have not been verified.

1.3.5 Non-Compliance

1.3.5.1 Non-Compliance with Laws, Rules, Regulations etc.

Non-compliance to the following rules, regulations and management decisions were observed.

Reference to the Rules
Regulation and management decisions.

Non compliance

Pradesiya sabha (Financial and administrative rules 1987)

(i) Section 177

(ii) Section 182

A gratuity payment system had not been established for the temporary casual workers who worked in the sabha.

The total receivable amount of Rs.384,700 that had to be received to the pradesiya sabha was cut off without the approval of chief minister of business taxes.

1.3.5.2 Non Compliance with tax requirements

The following are observed.

- (a) Although the Nation Building Tax levy charged with providing services in terms of the Nation Building Tax Act No. 07 of 2009 should be remitted to the inland Revenue commissioner, the sum of collection in the last year Rs.262,273 had been retained.
- (b) The total of 143,125 collected from the previous year and the year under review according to the special stamp duty Act No. 12 of 2006 has not been remitted to the commissioner of Inland Revenue.

2 Financial Review

2.1 Financial Result

According to the financial statements presented the excess of recurrent revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.28,371,569 while as compared with the excess of revenue over expenditure amounting to Rs.3,849,605 for the preceding year.

2.2 Revenue management

2.2.1 Estimated Revenue, Actual Revenue and Revenue in arrears

Information submitted regarding the billed revenue, collected revenue and arrears revenue relating to the year under review is shown below

Sources of the income	Balance brought forward as at 01.01.2017 Value. Rs.	Billed revenue during 2017 Value.Rs.	Colleged revenue during the year under review		Revenue arrears as at 31 December 2017 Value.Rs.
			Arreaes 01.01.2017 Value.Rs.	Billed amounts during Value.Rs.	
Assessment tax	5,387,281	2,080,444	5,387,281	1,599,201	5,835,685
Court Fines	8,577,140	7,801,067	8,577,140	6,000,000	10,378,206
Stamp fees	222,000	-	-	-	222,000
License charge	472,500	581,350	142,550	87,490	-

Business Tax	3,200,000	4,789,774	523,500	561,600	-
Shop rentals	1,182,640	1,204,560	3,047,495	266,975	583,280
Total	<u>19,041,561</u>	<u>16,394,195</u>	<u>8,475,266</u>	<u>8,475,266</u>	<u>17,019,171</u>

2.2.2 Rates tax

The Rates balance as at 31 December of the year under review was Rs.15,503,033 and any action had not been taken to recover the arrears as per section 158 of Act No. 15 of 1987.

2.2.3 Court Fines and Stamp duty

During the year under review the court fines had not been realized for the month of February till April While as at 31 December the court fines Rs.10,378,207 and stamp duty Rs.3,502,840 were receivable from the provincial treasury.

3 Operating Review

3.1 Performance

The following reveals the functions relevant to regulating and controlling matters relating to public health, public utility services and public roads under section 3 of the pradesiya sabha Act, the matters that were fulfilled by the council for the convenience of the welfare of people.

(a) by Laws

Although by laws had to be imposed for 28 functions under section 126 of pradesiya sabha Act No. 1960/35 of 30 march 2016, chief minister of north central province had only adopted 10 functions under the special gazette notification, and the sabha too had followed only 10 functions. But However, it was not legal under the terms of this by-law nor was published in the gazette.

(b) Functions not implemented

37 project proposals worth Rs.7,381,000 under grants had not been activated for the year under review.

(c) Solid waste management

A program for the production and marketing of organic fertilizers in the year 2017 had not been implemented. Extra cost and time to reserve the garbage was incurred due to non sorting of garbage for the pilot project.

(d) Sustainable development goals

Although the council was aware of the agenda of United Nations Sustainable development goals 2030, any action had not been taken to prepare long term plans to achieve these objectives.

4 Accountability and Good Governance

4.1 Budgetary Control

Due to preparation of budget estimates without proper forecasts 06 income items showed a variance of 50 percent to 267 percent showed in 06 income items between Actual and Estimated value and a variance of 41 percent to 97 percent showed in 05 Expenditure item between the estimated expenditure to actual Expenditure. Due to the higher range of variance the budget estimates were not effective.

4.2 Audit and Management Committees.

Audit and Management Committees were not established in accordance with the circular No.DMA/2009 (1) dated on 09 June 2009 That had issued by the Department of Management Audit which was issued on management committees.

5 Systems and Controls

From time to time, the attention of the Sabha was drawn to the shortcoming of systems and controls and the following systems must be paid special attention.

<u>Systems</u>	<u>Weaknesses</u>
(a) Accounting	Non maintenance of accounting books and records up-to-date
(b) Assets/ Property	Not documenting.
(c) Employee Management	(i) Not having fill the vacancies. (ii) Assigning on duties apart from the said duties relevant to the designation.
(d) Accounts Receivable/ Payables	(i) Not preparing time analysis. (ii) Non settlement of the receivable and payable balance.