

**Thihagoda Pradeshiya Sabha
Matara District**

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 07 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman of the Sabha on 31 July 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Thihagoda Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2017 and its financial performance 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 matters were observed in audit.

- (a) The Ayurveda material aid totalling Rs.192.816 received during the year under review had not been brought to account.
- (b) The equipment and fixed assets totally valued at Rs.311,250 purchased during the year under review and the 02 racks of the Ayurveda centre valued at Rs.205,500 had not been capitalized.
- (c) The income from fixed deposits receivable for the year under review amounting to Rs.52,137 had not been brought to account.
- (d) Provision for creditors for 10 jobs completed during the year under review and the provision for debtors for 13 jobs had been overstated by Rs. 6,843,030 and Rs. 3,955,288 respectively.
- (e) The sum of Rs.398,237 paid for a work had been shown as capital expenditure creditors of the year under review.
- (f) The sum of Rs.250,412 obtained as loan to pay for services during the year under review had not been brought to account.

- (g) Assets such as community hall, two crematoriums and the land close to Thihagoda bus halt had not been assessed and brought to account.
- (h) The sum of Rs.363,040 spent to partition the wall and the building and 08 electric fans installed at the crematorium valued at Rs.93,949 had not been capitalized.

1.3.2 Unreconciled Accounts

Differences aggregating Rs.1,996,351 existed between the balances of 04 items of accounts included in the financial statements totalling Rs.88,496,236 and the related balances appearing in the subsidiary registers/schedules.

1.3.3 Suspense Account

Action had not been taken to identify and settle the credit balance of Rs.216,311 in the Suspense Account which continued to be brought forward for many years.

1.3.4 Accounts Receivable

Balances receivable amounting to Rs.60,412,156 over 03 years existed in the Sundry debtors' balances as at end of the previous year. These had been removed from the accounts during the year under review without being identified.

1.3.5 Lack of Necessary Documentary Evidence for Audit

Four items of accounts aggregating Rs.79,575,357 could not be satisfactorily verified in audit due to non-rendition of necessary information.

1.3.6 Non-compliance

1.3.6.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

**Reference to Laws, Rules, Regulations and
Management Decisions**

Non - compliance

(a) 1988 Pradeshiya Sabha (Finance and Administration)

(i) Rule 199

The number and date of paid voucher with reference to the date of purchase of goods had not been noted in the relevant books and registers

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka 1645 and 1646

Daily running charts and monthly performance summaries of 14 vehicles of the Sabha had not been furnished to audit.

(c) State Accounts Circular of 30 December 2014 and circular No.2014/3

Telephone allowances of Rs.17,500 had been paid to a Community Officer, contravening the circular instructions.

2. Financial 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 2017 amounted to Rs.1,260,925 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.5,029,839.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

The information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2017				2016			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,088,000	372,456	377,979	12,545	2,085,700	399,273	398,140	18,068
Rent	4,027,000	2,940,075	3,115,410	236,504	62,500	2,908,525	2,775,025	411,839
Licence Fees	776,800	881,912	866,442	24,930	619,000	752,780	756,560	9,460
Other Revenue	22,310,750	12,861,134	14,320,961	10,078,913	23,199,600	13,937,498	11,219,438	11,538,740
Total	28,202,550	17,055,577	18,680,792	10,352,892	25,966,800	17,998,076	15,149,163	11,978,107

2.2.2 Performance in Collection of Revenue

The total estimated revenue of the year under review amounted to Rs.28,202,550 and the revenue billed amounted to Rs.17,055,577. The total amount recoverable along with the opening balance of Rs.11,978,107 amounted to Rs.29,033,684. However, the total revenue collected during the year amounted to Rs.18,680,792 resulting in a total arrears of Rs.10,352,892 as at end of the year.

2.2.3 Rates and Taxes

Acreage tax

The arrears at the commencement amounted to Rs.18,068 and the billing for the year amounted to Rs.2,465. The total recoveries during the year amounted to Rs.7,988 resulting in an arrears of Rs.12,545 as at end of the year. The recoveries from the arrears at commencement was at a low level of 35 per cent.

2.2.4 Rent

The arrears at the commencement of Rs.221,839 and the billings of the year was Rs.893,225. The total recoveries during the year amounted to Rs.903,650 resulting in an arrears of Rs.211,504 as at end of the year.

2.2.5 Licence Fees

The arrears at the commencement of Rs.9,460 with the billings of Rs.522,915 had resulted in receivables amounting to Rs.532,375. The total recoveries amounting to Rs.507,445 had resulted in an arrears of Rs.24,930 as at end of the year.

2.2.6 Other Revenue

Water Charges

The following matters were observed.

- (a) The arrears of Rs.167,666 at the commencement and the billings of Rs.294,990 resulted in receivables amounting to Rs.462,656. The arrears as at end of the year amounted to Rs.235,019 due to the recoveries of Rs.227,637 during the year.
- (b) The excess of expenditure over revenue of the water project during the year amounted to Rs.1,619,992. Action had not been taken to install water meters which had malfunctioned for over three years. As such, a fixed charge had been recovered and a further sum of Rs.48,809 was due from 26 consumers of water.

2.2.7 Court Fines and Stamp Fees

Court fines amounting to Rs.366,461 and stamp fees amounting to Rs.8,400,000 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) Non achievement of the expected output level

The Sabha had purchased necessary goods for construction regarding the water project for Rs.499,472 and the goods were lying idle at the stores for over 06months. A sum of Rs.115,430 had been overpaid for 34 water meters purchased in excess of the estimated quantity. A water motor had been purchased for Rs.166,750 deviating from procurement procedures. The estimate had been prepared only for purchase of necessary goods for the water project and necessary action had not been taken to obtain benefits from the project. As such, the amount spent had become fruitless.

(b) Solid Waste Material Management

Garbage from week end fairs and private companies had been collected to produce compost fertilizer. A sum of Rs.247,317 had been earned during the year under review by various activities of garbage management. Two officers, 02 drivers and 02 tractors had been made use of for the work concerned. The amount spent on disposal of garbage was Rs.6,333,600. The non degradable garbage had been irregularly disposed of in a place where water flows within the authoritative area of the Sabha.

(c) Environmental Problems

According to the gazette notification No.1533/16 dated 25 January 2008 issued in terms of the National Environmental Act No.47 of 1980, 35 business institutions should have obtained licences. The Sabha had been deprived of a revenue of Rs.245,000 as a result of licences not obtained by them. The Sabha had not drawn its attention towards the environmental damage caused due to this.

(d) Sustainable Development Target

The Sabha had not prepared the long term plan for sustainable development target and the objectives in order to uplift the living standards of the public within the area of the Sabha through the global indicators relating to sustainable development objectives and targets as per 2030 agenda of sustainable development.

3.2 Management Inefficiencies

The authoritative area of the Thihagoda Pradeshiya Sabha had been declared as an improved area for purposes of recovering rates as per Gazette notification of the Democratic Socialist Republic of Sri Lanka on 03 March 2017. But, the Sabha had not taken action to establish rates and taxes zone so as to recover rates even by end of the year under review.

3.3 Human Resources Management

The Sabha had to spend Rs.2,326,532 on behalf 06 employees recruited irregularly without proper authority since 2015. Though approval had been granted to recruit 03 persons for the approved vacancies, recruitments had not been made accordingly. Meanwhile, action had not been taken to fill 09 vacancies in the approved cadre and to regularize 15 excess cadres.

3.4 Operating Inefficiencies

Street lamp equipment amounting to Rs.519,891 issued from the stores had not been installed and a sum Rs.420,091 had been paid as salaries to an electrician. There were delays in maintenance of street lamps. As such, 37 electricians from other institutions had been engaged in work on 29 June 2017 to maintain 198 street lamps by spending Rs.161,381.

3.5 Vehicle Utilization

A tipper valued at Rs.4,500,000 received at the Sabha on 17 March 2015 had met with an accident on 23 June 2017.

- (a) The accident had occurred while travelling beyond the authoritative area of the Sabha without the approval of the Sabha and as such the loss had been estimated at Rs.3,000,000 according to the present assessment value.
- (b) The driver had compensated the affected parties. A sum of Rs.130,000 had been spent by the Sabha to transport the tipper for repairs and to transport the ABC stone loaded in it. The vehicle concerned remained at the garbage without repairs since that date.

- (c) Daily running charts had not been furnished for audit after 22 September 2016. A preliminary report regarding the accident had not been furnished to the Auditor General in terms of Financial Regulation 104.

4. Accountability and Good Governance

4.1 Budgetary Control

Significant variances were observed between the budgeted and actual revenue and expenditure of the year under review as shown below. It was thus observed that the budget had not been utilized as an efficient instrument of management control.

- (a) Savings in 07 objects aggregated Rs.12,425,214 which ranged from 13 to 90 per cent.
- (b) Adverse variances in 06 items of revenue aggregated Rs.17,913,551 which ranged from 17 to 66 per cent.

4.2 Internal Audit

Adequate internal audit had not been carried out in terms of Financial Regulations 133 and 134 of the Republic of Sri Lanka and the circular No.දපස/යන/01/න.ව.ලේ of 24 February 2014 of the Southern Commissioner of Local Government. The internal audit programme had not been prepared in consultation with the Auditor General in terms of Financial Regulation 134. Meanwhile, copies of internal audit reports had not been furnished to audit.

4.3 Unresolved Audit Observations and Unreplied Audit Queries

Action had not been taken with regard to the following audit queries up to 31 December 2017.

- (a) An unauthorized person had built and occupied 02 houses with electricity and water facilities in a portion of the 01 acre cinnamon growing land purchased in 1994 at the Kithalagama (Central) grama Niladhara Division. The Sabha had erected fence around the land excluding the portion where those 02 houses had been built. Excepts this, no action whatsoever, had been taken regarding the non usage of the assets of the Sabha and the unauthorized structures.
- (b) A garbage burning machine had been purchased without paying customs duties at a value of Rs.269,287 on 27 March 2013 in order to avoid environmental pollution and to avoid garbage mixing with the environment as a resort of garbage management carried out by the Thihgoda Pradeshiya Sabha. However, the machine remained idle since that date.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

- (a) Fixed assets
- (b) Collection of revenue
- (c) Budgetary control
- (d) Contact Administration
- (e) Accounting