

**Thamankaduwa Pradeshiya Sabha**

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**Polonnaruwa District**  
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**01. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year 2017 had been submitted to Audit on 20 March 2018 and the Auditor General's Report relating to the year 2017 was sent to the chairman of the Sabha on 19 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 Thamankaduwa Pradeshiya Sabha 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**

Following deficiencies were observed.

- (a) A sum of Rs. 598,506 which should be received from Department of Local Government for roads week project implemented in the year under review had not been accounted under debtors.
- (b) An aggregating Rs. 48,846 expended in 09 occasions in the year 2018 for the expenses of the year under review had not been accounted under accrued expenses.
- (c) Settled cash creditors of Rs. 257,130 as at 31 December 2017 further had been indicated in the creditors and creditors are being overstated by that amount.
- (d) Although receivable water fees income was Rs. 300,188 in 31 December of the year under review, since it had been indicated as Rs. 340,016 the debtors had been overstated by Rs. 39,828.
- (e) Four Loud speakers and Waste Sieving machine valued Rs. 39,677 purchased in the year under review had not been capitalized.
- (f) The debtors had been overstated by Rs. 24,871 since that value already had been received to the Sabha and it had been indicated as receivable to 31 December 2017.
- (g) Receivable Court Fines to the Sabha relevant to the period from October to December 2017 and receivable Stamp Duty relevant to the period from August to December 2017 according to the Court Fines Convert enactment of North Central Province No. 07 of 1994 had not been identified and accounted.
- (h) 56 items amounting to Rs. 743,316 including curtain clothes, plastic chairs and plastic garbage bins had been disclosed in financial statements as Machine and Equipment.
- (i) The value of the 19 lands and buildings units belongs to the Sabha had not been calculated and disclosed in financial statements.

- (j) Goods in hand had been overstated by Rs. 1,404,525 since, Machines and Equipment amounting that value purchased in the year 2016 and 2017 had been accounted under machine equipment and Goods in hand in Balance Sheet.
- (k) The value of the land of 02 rood and 9.54 perches situated in Polonnaruwa circular road assigned to the Sabha by legal deed had not been identified and accounted.
- (l) The value of the MajicBlokun machine and Circulation Burner machine given by Local Government Department for Waste Management Project in the year 2017 had not been identified and accounted under fixed assets.

### **1.3.2 Un-reconciled Accounts**

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- (a) A difference of Rs.9, 664,773 had been observed between balances of financial statements and the given subsidiary records for 03 account subjects in the year under review.
- (b) Although the value of the fixed assets account should be equal to the contribution account of income to capital input, a difference of Rs. 152,135,811 had been observed between these two accounts.

### **1.3.3 Accounts Receivable**

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The receivable for works amounting to Rs. 2,699,837 indicated in financial statements as receivable account balances at the end of the year under review had not been received from more than 15 years and a sum of Rs. 1,715,017 for salary re-imburement had not been settled from the year 2014.

### **1.3.4 Lack of Evidence for Audit**

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Six account subjects totaling to Rs. 490,902,154 could not be satisfactorily vouched in audit due to the non-submission of essential information.

### **1.3.5 Non-Compliances**

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#### **1.3.5.1 Non-Compliances with Laws, Rules and Regulations etc.**

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

#### **References to laws, rules and regulations**

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#### **Non-compliance**

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##### **(a) Pradeshiya Sabha Act No.15 of 1987**

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Section 154

01 percent tax should be received from Land Auction held in the authority area of the Sabha had not been received.

- (b) **Entertainment tax ordinance act (Revised) No. 37 of 1984**  
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Entertainment tax should be received from the film hall situated in the authority area of the Sabha had not been received in the year under review.
- (c) **National Environmental Act No. 56 of 1988**  
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According to the power vested to the Sabha, action had not been taken regarding 25 environmental protection certificates expired in previous year and year under review up to 28 November 2017.
- (d) **Pradeshiya Sabha (Finance and Administrative) Rules of 1988**  
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- (i) Rule No. 59 to 63  
Survey had not been held in the authority area of the Sabha and the list of business enterprises had not been prepared.
- (ii) Rule No. 193  
Statements of explaining matters about excesses and balance without expended as compared with budgeted financial provision and supplementary under each revenue subjects had not been prepared and submitted to the Audit at the end of the every years.
- (iii) Rule No. 203  
Board of Survey for the year 2017 had not been done to April 2018 and board of Survey reports for the year 2016 had not been presented to the Sabha on 19 January 2018.
- (e) **Financial Regulations of the Democratic Socialist Republic of Sri Lanka**  
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- (i) F.R.396  
Action had not been taken about 10 cheques amounting to Rs. 326,945 which lapsed 06 months but not presented for payments.
- (ii) F.R.880  
Guarantees had not been taken from 10 officers.
- (f) **Circulars and Letters**  
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- Circular No. NCP/LG/AC/04/01/02 dated 04** A sum of Rs. 51,775 had been expended for 545

**December 2015 of the Commissioner of Local Government**

litters of fuel by the secretary of the Sabha from March to May in the year under review exceeding approved maximum fuel limit.

**02 Financial Review**

**2.1 Financial Result**

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs. 26,015,619 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 24,976,586.

**2.2 Revenue Administration**

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

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

| Item of Revenue     | Estimated Revenue | 2017              |                   |                                      | 2016              |                   |                   |                                      |
|---------------------|-------------------|-------------------|-------------------|--------------------------------------|-------------------|-------------------|-------------------|--------------------------------------|
|                     |                   | Billed Revenue    | Collected Revenue | Cumulative Arrears as at 31 December | Estimated Revenue | Billed Revenue    | Collected Revenue | Cumulative Arrears as at 31 December |
| (i) Rates and Taxes | 15,065,600        | 13,146,199        | 10,358,800        | 13,109,725                           | 13,868,268        | 13,518,768        | 10,196,009        | 16,432,485                           |
| (ii) Lease Rent     | 17,195,045        | 13,856,554        | 14,166,659        | 696,361                              | 17,268,549        | 15,610,263        | 15,493,020        | 813,604                              |
| (iii) License Rent  | 5,180,100         | 5,145,689         | -                 | 18,847,685                           | 6,000,000         | 9,204,257         | 750,310           | 27,301,632                           |
| (iv) Other Revenue  | 8,270,300         | 12,077,607        | 8,729,751         | 11,137,939                           | 12,000,000        | 11,424,367        | 20,143,075        | 2,419,231                            |
|                     | <u>45,711,045</u> | <u>44,226,049</u> | <u>33,255,210</u> | <u>43,791,710</u>                    | <u>49,136,817</u> | <u>49,757,655</u> | <u>46,582,414</u> | <u>46,966,952</u>                    |

**2.2.2 Performance of Revenue Collection**

Estimated revenue was Rs. 45,711,045, billed revenue was Rs. 44,226,049 and collected revenue was Rs. 33,255,210 for the year under review in the Sabha. Cumulative arrears were Rs. 43,791,710 as at end of the year and it had been 99 percent from the billed revenue.

### 2.2.3 Rates and Taxes

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Following matters were observed.

- (a) Although 160 red notices had been written and handed over to the revenue inspectors regarding arrears of rates, only 43 red notices had been distributed to 29 November 2017. It had been observed that the contribution of the revenue inspectors about this was at minimum level.
- (b) It had not been concerned to collect rates amounting to Rs. 1,133,432 should be received from government and semi government institutes to the date of 31 December 2017.
- (c) Taxes had not been collected for 19 new constructions in the rates collecting areas approved by the planning committee held in the year of 2017.
- (d) Receivable arrears of rates and taxes were Rs. 12,263,275 to the date of 31 December 2017 and it had been increased from 42 percent compared to preceding year.

### 2.2.4 Lease Rent

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- (a) Although estimated lease rent should be revised at least once 05 years according to the paragraph 02 of circular of Commissioner of local government no. 1980/46 dated 31 December 1980, lease rent had been collected based on valuation before 08 years of 05 stall rooms complex belongs to the Sabha.
- (b) 25 stall rooms belongs to the Sabha had been leased without valid agreements.
- (c) Arrears lease rent from 118 stall rooms belongs to the Sabha in the Kaduruwela Bus stand were Rs.948, 850 and out of that, action had not been taken to receive arrears lease rent amounting to Rs. 202,575 existing more than two years for 06 stall rooms.
- (d) When removing the old stall rooms for the construction of new two stair stall room building, the arrears lease rent income of 24 stall room owners was Rs. 81,250 and action had not been taken to recover that amount over 04 years period.
- (e) Although Key Money of stall rooms belongs to the Sabha in the Kaduruwela Bus Stand should be paid within 04 years, according to the relevant agreements, a sum of Rs. 1,111,674 due from 23 stall rooms as at 31 December 2017 had not been received since 2004.

### 2.2.5 Other Revenue

Following matters were observed.

- (a) According to the Section 149 of Pradeshiya Sabha Act, 01 percent fees as not exceed from revenue of 06 hotels registered in Tourist Board had not been received to the date of 28 November 2017.
- (b) Garbage Tax had not been recovered for the year 2017.
- (c) By laws had not been passed for gathering fees from three-wheel parks in territory area of the Sabha.
- (d) Cumulative arrears of water fees were Rs.300, 188 to the date of 31 December 2017 and sufficient attention had not been taken to recover that amount.
- (e) Garbage tax receivable to the Sabha was Rs. 3,111,000 at the end of the year under review and due arrears from 17 institutes exceeded Rs. 50,000 each and Sabha had not given sufficient attention for recovery this arrears tax.

### 2.3.6 Court Fines

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- (a) Court fines receivable from Chief Secretary of Provincial Council to 30 September 2017 were Rs. 2,419,232 and action had not been taken to identify due court fines from October 2017 to December.

## 03 Operational Review

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### 3.1 Performance

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Observations about regulating and controlling matters about public health, public utility services and public roads well-being, convenience and welfare of the people should be done by the Sabha under section 03 of Pradeshiya Sabha Act are shown below.

#### (a) By Laws

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Necessary number of by-laws had not been identified for fulfilling major matters under the section 126 of Pradeshiya Sabha Act and although by laws had been passed for 42 matters to 31 December 2017, it had not been acted according to the standard by laws.

#### (b) Action Plan

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Annual Action Plan for activities should be done by the Sabha according to the passed by laws had not been prepared.

#### (c) Solid Waste Management

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Deficiencies such as unavailability of sufficient labour force for daily waste recycling activities, unavailability of sufficient welfare facilities for labours, unavailability of necessary building facilities in Gallalla Waste Recycling Center had been observed.

#### (d) Environmental Issues

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It is observed that dirt and waste water in business and government institutes in the authority area of the Sabha and waste in Kaduruwela Fish Market had been dumped to the jungle adjoining the land situated Gallalla Waste Management Center by gully bowser due to non-availability of the waste recycling system belongs to the Sabha and it had been caused health issues as well as environmental issues.

(e) **Sustainable Development Goals**  
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Since the Sabha had not been aware about sustainable development objectives published by the United Nations Organization, it has not been identified what were the objectives relevant to the Sabha, needed allocations to implement these objectives, needed staff for these objectives and other coordinating government organizations.

**3.2 Human Resources Management**  
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- (a) Actions had not been taken to recover outstanding loan balances amounting to Rs. 163,415 from the period of 01 to 07 years to 31 December 2017.
- (b) There were 02 vacancies in tertiary level, 25 vacancies in secondary level and 17 vacancies in primary level and 02 post of surplus in primary and secondary level in the year under review. In addition to this, 04 officers had been recruited and paid salary for unapproved posts.

**3.3 Management Inefficiencies**  
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Following matters were observed.

- (a) Although revenue amounting to Rs. 5,854,250 had been collected from 05 revenue subjects in the year under review by the Sabha, by laws had not been passed for that.
- (b) An agreement had not been formed with selected institutes to supply advisory services for construction project in Polonnaruwa new market complex. Advisory Service Institute had been removed from supply advisory services before end of the construction project and construction had been delayed due to not supervision about plans and work done.
- (c) Children Park which ended works to 17 February 2018 expended Rs. 4,000,000 for play items from Provincial Council Fund of North Central Province and a sum of Rs. 21,221,593 for the construction of Isipathana Children Park under the project of improving Local Government services in North East provinces had not been given for usage of the people although period of year had been exceeded to 10 April 2018.
- (d) Action had not been taken by the officers about 73 complain received to the Street Lamp Section in the Sabha from 21 November 2017 to 09 April 2018.
- (e) Action had not been taken to receive Rs. 14,000 due from 02 former members of the Sabha from more than 03 years.

**3.4 Operational Inefficiencies**  
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Following matters were observed.

- (a) Registers about the programs held in BuddiMandapaya, BadiwewaLeelarathnaWijesingha Auditorium and RajarataNawodaya Stadium lent by the Sabha had not been maintained by the trustees of this places and lending of that places could not be confirmed in audit since bookings had been done by a register maintaining in the office.
- (b) Amount of the patients who got treatments in 03 Ayurvedic Medical Centers belongs to the Sabha had been 13,367 in 2016 but it had been deducted to 9922 in 2017. Further, holding ayurvedic

mobile clinics were most weak and although a sum of Rs. 450,000 had been allocated by the budget to purchase medicines in 2017, only medicine amounting to Rs. 213,485 had been purchased in the year under review.

- (c) Water of Sinhapura Water Project had been distributed without refinement and water testing reports had not been taken in the year under review.

### **3.5 Irregular Transactions**

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- (a) Quality Control Reports regarding interlock stones included for 14 Road Development Projects of payments amounting to Rs. 25,646,542 implemented in 2017 by the Sabha had been presented by the contractor himself.
- (b) Although Newtown Weekly Fair had been leased by the Sabha, water and electricity bills amounting to Rs. 35,053 for the year 2017 had been paid by the Sabha.

### **3.6 Contracts Administration**

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Works of 44 stall rooms constructed in the land of ThamankaduwaPradeshiya Sabha Weekly Fair expended Rs. 713,365 from Sabha fund and Rs.20 million received under DayataKirulla 2013 had been ended to December 2014. Although period of 3 ½ years had been elapsed for the construction of the building to April 2018, the building had been ruined since it had been idled. Although deficiencies had been observed such as water leaking through all beams in up stair fixed to the wall of marketing complex, walls in some places had been cracked, stands fixed to door frames of constrictive doors in stall rooms had been oxidized and decayed, 09 Sport Light fixed in down stair had been decayed as unable to re-use and detaining box of a constrictive door fixed expending Rs. 3,280,752 had been absolutely striped before use, retention money amounting to Rs. 452,777 had been absolutely released to the contractor at 01 January 2015.

### **3.7 Identified Losses**

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Following matters were observed.

- (a) Electricity bills amounting to Rs. 33,847 due from 13 stall owners to the Electricity Board when demolish old stall rooms constructed in the fair land and leased by the Sabha had been paid by the Sabha and although period of 04 years had been elapsed, that money had not been received.
- (b) Receivable rent according to the provisions of Establishment Code from Secretary settled in Isipathanaquarter's no. 01 belongs to the Sabha from 01 January 2017 had not been received and written agreement had not been made.
- (c) Although 12.5 percent out of the salary should be received according to the section 5.4 in chapter xix of Establishment Code when settled in a government residence, a sum of Rs. 19,131 had been undercharged from 02 officers in the year under review.
- (d) Although Rs. 50,000 to Wildlife Preservative Department, Rs. 16,800 to Survey Department to take a plan and Rs. 855,000 to building research institute to prepare basic environmental report had been paid in the period of 2010-2012 to take basic environment report since approval to give 05 million had been received for construction project of Polonnaruwa Urban Garden from Economic



Development Ministry, that expenditure had been idled due to non-implementation of relevant project.

### **3.8 Vehicle Utility**

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Log books of the vehicles belong to the Sabhahad not been updated.

## **04 Accountability and good Governance**

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### **4.1 Internal Audit**

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Internal Audit had not been done in respect of transactions of the Sabha in the year under review.

### **4.2 Audit and Management Committee**

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Audit and Management Committee had not been established and meetings had not been held seasonably in the previous years and year under review by the Sabha.

## **05. Systems and Controls**

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Systems and Control Deficiencies observed in audit had been directed to the attention of the Sabha from time to time. Special attention is needed in respect of the following area of systems and controls.

### **Systems**

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(a) Fixed Assets Control

(b) Revenue Administration

(c) Debtor/Creditor Control

(d) Internal Control

### **Deficiency**

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(i) Fixed Assets Register had not been maintained up to date.

(ii) Assets had been underutilized.

(i) Receivable revenue had not been received.

(ii) Lease Agreements were not regular.

(iii) Collecting money and accounting had not been updated.

(i) Accounting were not accuracy

(ii) Debtors and Creditors had not been settled.

(i) Internal Audit had not been done.

(ii) Audit and Management Committee had not been held.