

Thihagoda Pradeshiya Sabha

Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 28 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 25 May 2019 and 31 May 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Thihagoda Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Court fines receivable as at end of the year under review had been understated by Rs.404,347.	Should be correctly brought to account.	Corrected by journal entries.
(ii) Furniture and equipment purchased for Rs.68,250 during the year under review had not been capitalized.	All fixed assets should be brought to account.	Corrected by journal entries.
(iii) Expenditure on modernization of buildings during the year under review amounting to Rs.1,263,981 had not been brought to account.	All fixed assets should be brought to account.	Corrected by journal entries.

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|-------|---|--|-------------------------------|
| (iv) | A sum of Rs.81,995 had been understated while accounting the building of the Lankathilaka preparatory school building under fixed assets during the previous year. This had not been rectified even during the year under review. | All fixed assets should be brought to account. | Corrected by journal entries. |
| (v) | Provision had been made for the expenditure of Rs.49,937 payable for work not implemented during the year under review. | Should be correctly brought to account. | Corrected by journal entries. |
| (vi) | The sum of Rs.618,301 receivable on behalf of 07 work as at end of the year under review had not been brought to account. | Should be correctly brought to account. | Corrected by journal entries. |
| (vii) | Provision made for work creditors as at end of the year under review was less by Rs.97,686. | Should be correctly brought to account. | Corrected by journal entries. |

(b) Unreconciled Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Differences aggregating Rs.1,104,535 existed between the balances of 06 accounts aggregating Rs.64,913,282 included in the financial statements and the related subsidiary registers/schedules.	Action should be taken to reconcile the differences of relevant balances and to rectify accounts.	Action will be taken to rectify in the final accounts of 2019.

(c) Lack of Necessary Documentary Evidence for Audit

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Four items of accounts aggregating	Evidence to confirm the	Action will be taken to

Rs.1,735,636 could not be satisfactorily vouched in audit due to non rendition of necessary information. balances shown in the financial statements should be furnished. update the registers pertaining to these items of accounts so as to make necessary corrections.

1.4 Non-Compliance

1.4.1 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	Recommendation	Comments of the Accounting Officer
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(a) 1988 Pradeshiya Saba (Finance and Administration) Rule 193	The actual expenditure of objects had not been reconciled with the budgeted and the supplementary expenditure and a statement showing surpluses and deficits had not been furnished.	Action should be taken according to the rules.	Action will be taken to rectify errors pointed out.

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 of the year under review amounted to Rs.2,791,829 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.1,260,925.

2.2 Revenue Administration

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

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	2018				2017			
	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	3,180,500	569,715	544,915	272,365	1,088,000	372,456	310,624	247,565
Rent	2,710,000	3,023,800	3,024,050	236,254	4,027,000	290,075	315,410	236,504
Licence Fees	815,800	882,251	901,671	5,510	776,800	881,911	866,442	24,930
Other Revenue	17,264,750	12,541,886	13,910,800	8,710,000	22,310,750	12,861,134	14,320,961	10,078,914
Total	23,971,050	17,017,652	18,381,436	9,224,129	28,202,550	14,055,576	15,813,437	10,587,913

2.2.2 Performance in Collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>The total estimated revenue for the year under review and the revenue billed amounted to Rs.23,971,050 and Rs.17,017,652 respectively. The total amount recoverable became Rs.27,605,565 with the addition of arrears of balances at the commencement amounting to Rs.10,587,913. The total revenue collected during the year under review amounted to Rs.18,381,436 resulting in a total arrears of Rs.9,224,129 as at end of the year.</p>	<p>-----</p> <p>Recovery of arrears of revenue should be intensified.</p>	<p>-----</p> <p>The balance of Rs.9,224,129 included stamp fees billed amounting to Rs.8,400,000 and the court fines Rs.300,000. Special programme is already being implemented to recover the balance of Rs.524,129.</p>

2.2.3 Stall Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>The balance at the commencement amounting to Rs.211,504 added to the billings of the year amounting to Rs.951,125 resulted in receivables amounting to Rs.1,162,629. The total recoveries during the year amounted to Rs.939,375 resulting in a balance of arrears of Rs.233,254 as at end of the year under review. The percentage of recovery was 81.</p>	<p>-----</p> <p>Recovery of arrears of revenue should be intensified.</p>	<p>-----</p> <p>Special programme is being implemented to recover the total billings. Steps had also been taken for legal action against defaulters of payments.</p>

2.2.4 Water Charges

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>The arrears of balances at the commencement amounting to</p>	<p>-----</p> <p>Recovery of arrears of revenue should be</p>	<p>-----</p> <p>Action is being taken to recover the total billings of</p>

Rs.234,359 added to the billings of Rs.338,614 ended in receivables amounting to Rs.572,973. The arrears as at end of the year amounted to Rs.258,330 as a result of the total recoveries of Rs.314,643 during the year. The percentage of recovery was 55.

intensified.

2019 and to organize a mobile programme to settle the arrears existing from the previous year.

2.2.5 Other Revenue

Court Fines and Stamp Fees

Audit Observation

Recommendation

Comments of the Accounting Officer

Court fines of Rs.600,000 and stamp fees of Rs.16,800,000 were receivable from the Chief Secretary of the Provincial Council and other authorities.

Recovery of arrears of revenue should be intensified.

Written requests had been made to the office of the Chief Secretary to receive these court fines and stamp fees.

3. Operating Review

3.1 Evaluation of Performance

Sustainable Development Target

Audit Observation

Recommendation

Comments of the Accounting Officer

The Sabha had not prepared a long term plan to uplift the living standards and health of the public of the authoritative area of the Sabha by the global indicators referred to in the 2030 Agenda of the Sustainable Development relating to sustainable development objectives and targets.

Programme should be prepared and implemented to achieve objectives and targets of sustainable development.

Plans had been prepared to implement various projects relating to sustainable development during 2019.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Although the arrivals and departures of officers of state institutions should be	----- Action should be taken according to the circular.	----- All efforts are being made to use finger print machine by 15 May 2019.

3.3 Human Resources Development

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Vacancies and Excesses in the Cadre ----- Action had not been taken even by end of the year under review to fill 05 vacancies in the approved cadre and to regularize 02 excesses in the posts.	----- Action should be taken to regularize excesses and fill vacancies in the cadre.	----- Five vacancies in the cadre had already been filled and approval had been sought to regularize 02 excesses in the posts.

3.4 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
----- (a) An area of 4.5 square kilometres had been declared as improved area by the Gazette Notification No.209 of 03 March 2017. But, action had not been taken even by 08 February 2019 to assess the properties and recover rates and taxes.	----- Action should be taken according to the Gazette Notification.	----- The Department of Valuation had informed that it will arrive on 22 April 2019 for assessment activities.
(b) A sum of Rs.5,650,000 had been paid to the Thihagoda Divisional Secretary on 26 April 2012 as initial assessment payment to acquire the land where the public fair of the Thihagoda Pradeshiya Sabha is held. However,	Acquirement should be intensified.	The Assistant Commissioner of Local Government had informed the Secretary to the Ministry of Land and Parliamentary Reforms by his letter dated 19 March 2019

the fair premises had not been acquired even by 08 February 2019.

that there was no objection in acquiring the land of the Thihagoda fair premises.

3.5 Matters of Contentious Nature

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>A third party insurance coverage should be obtained for pool vehicles as per Cabinet Decision of the Southern Provincial Council No.781 of 02 August 2017, letter of the Chief Secretary of Southern Province No.CSS/03/12/19 of 24 October 2017 and the letter No.03/03/Sabha/General/2017 of 24 October 2017 of the Southern Commissioner of Local Government. However, 02 vehicles of the Sabha had been fully insured by the Decision No.05 made at the General Council Meeting held on 14 August of the year under review.</p>	<p>Action should be taken according to the letter.</p>	<p>Full insurance coverage had been obtained as per decision of the General Council Meeting of 14 August 2018.</p>

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Savings in 06 objects aggregated Rs.11,856,801, ranging from 15 to 76 per cent.</p>	<p>Feasible annual estimates should be prepared.</p>	<p>Action will be taken in future to make rectifications.</p>
<p>(b) Targets not achieved in 05 items of revenue aggregated Rs.93,101, ranging from 22 to 82 per cent.</p>	<p>Feasible annual estimates should be prepared.</p>	<p>Action will be taken in future to make rectifications.</p>