

# Thambalagamuwa Pradeshiya Sabha

## Trincomalee District

### 1. Financial Statements

#### 1.1 Presentation of Financial Statements

The Financial Statements for the year under review had been presented to audit on 17 February 2014 and the Financial Statements for the preceding year had been presented on 19 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 01 April 2015.

#### 1.2 Opinion

In my opinion except for the effects on the Financial Statements of the matters referred to in paragraph 1.3 of this report the Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Thambalagamuwa Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations and cash flow for the year then ended.

#### 1.3 Comments on Financial Statements

##### 1.3.1 Accounting Deficiencies

Following accounting deficiencies are observed.

- (a.) Furniture and fittings valued at Rs.645,435 purchased during the year 2013 by the Sabha under the Dayatakirula Development Plan Programme had not been brought to account.
- (b.) Provision had not been made for audit fees amounting Rs.17,615 payable for the year under review.

### 1.3.2 Lack of Evidence for Audit

Following items of accounts could not be satisfactorily vouched or accepted in audit due to lack of evidence indicated against those items.

| <b>Item of Account</b> | <b>Value</b> | <b>Evidence not furnished</b>                      |
|------------------------|--------------|--|
|                        | Rs.          |  |
| Land and Buildings     | 44,170,444   | Land and Building Register                         |
| Machinery              | 1,564,960    | } Fixed Assets Register Board of<br>Survey Reports |
| Motor Vehicles         | 6,878,050    |  |
| Revenue Deposits       | 1,140,523    | } Detailed Schedules<br>Age Analysis               |
| Tender Deposits        | 366,081      |  |
| Miscellaneous Deposits | 303,862      |  |
| Other Deposits         | 2,710,125    |  |

### 1.3.3 Non-compliance with Laws, Rules, Regulations etc.

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

| <b><u>Reference to Laws, Rules, Regulations etc.</u></b>                    | <b><u>Non-compliance</u></b>  |
|---|---|
| (a.) <u>Pradeshiya Sabha Act No.15 of 1987</u><br>Chapter II<br>Section 158 | - A signed warrant had not been issued by the secretary to recover the assessment tax within the limits of the Sabha. |

(b.) Eastern Provincial Council Financial Regulations

Rule No.236(3)

- The Sabha had not prepared bank reconciliation statements in respect two bank accounts from month of January to December.

**2. Financial Review**

**2.1 Financial Results**

According to the Financial Statements presented, the excess of recurrent expenditure over the revenue of the Sabha for the year ended 31 December 2013 amounted to Rs.17,436,411, as compared with the excess of recurrent expenditure over the revenue amounting to Rs.21,231,631 for the preceding year. Therefore, the financial result had been improved by Rs.3,795,220 over the preceding year.

**2.2 Revenue Administration**

**2.2.1 Performance in Revenue Collection**

Information furnished by the Sabha relating to Estimated Revenue, Actual Revenue and the Arrears of Revenue are shown below.

|       | <b>Item of Revenue</b> | <b>Estimated</b> | <b>Actual</b> | <b>Cumulative Arrears<br/>as at 31 December</b> |
|-------|------------------------|------------------|---------------|---|
|       | -----                  | -----            | -----         | -----   |
|       |                        | Rs.'000          | Rs.' 000      | Rs. '000  |
| (i)   | Rates and Taxes        | 6,358            | 3,531         | 3,027   |
| (ii)  | Rent                   | -                | -             | -   |
| (iii) | License Charges        | 8,220            | 5,601         | 2,619   |
| (iv)  | Other Revenue          | 15,035           | 1,263         | 13,772  |

### **2.3 Court Fines**

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Court Fines receivable from the Magistrate Courts to the Sabha as at 31 December 2013 under the Provisions of section 129(2)(a) of the Pradeshiya Sabha Act No.15 of 1987 and to the Eastern Provincial council chief secretary remained recoverable by the Sabha.

### **2.4 Stamp Fees**

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Action had not been taken to render the calculated reimbursement application form as at 31 December 2013 to the Registrar General by the Sabha.

## **3. Operating Review**

### **3.1 Management Inefficiencies**

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- (a.) The Sabha should obtain prior approval from the Ministry of Local Government required to obtain loans as required by Section 178 and 179 of the Pradeshiya Sabha Act No.15 of 1987. But the Sabha had obtain a loan amounting to Rs.3,200,000 without prior approval and purchased a Tipper.
  
  - (b.) No action had been taken to recall the 87 library books lent to the members from June to December 2013.

#### 4. Human Resources Management

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Particulars of the approved and actual cadre of the Sabha as at 31 December 2013 are given below.

| Category of Employees | Approved<br>Cadre | Actual Cadre | Vacancies | Excesses |
|-----------------------|-------------------|--------------|-----------|----------|
| -----                 | -----             | -----        | -----     | -----    |
| Executive             | 01                | -            | 01        | -        |
| Subordinate           | 18                | 09           | 09        | -        |
| Minor Employees       | 27                | 12           | 15        | -        |
| Others                | -                 | 33           | -         | 33       |

Action had not been taken to fill the vacancies in the post of Management Assistant and Revenue Officer. These posts had been vacant for more than 08 years.

#### 5. Systems and Controls

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Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a.) Accounting
- (b.) Fixed Assets Control
- (c.) Stock Control
- (d.) Recovery of Advance
- (e.) Revenue Collection
- (f.) Procurement Procedure
- (g.) Loan Control