

Thihagoda Pradeshiya Sabha

Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 05 December 2014 and the financial statements for the preceding year had been presented on 19 June 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 22 January 2015.

1.2 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 Thihagoda Pradeshiya Sabha as at 31 December 2013 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 Non-compliance with Sri Lanka Public Sector Accounting Standards

The following matters were observed.

- (a) The Local Authorities should prepare the financial statements as per Sri Lanka Public Sector Accounting Standards with effect from 01 January 2011 in accordance with the Circular No. PED/54 of the Director General of Public Enterprises dated 19 January 2010. However, those standards had not been followed.
- (b) Cash flow statement had not been presented together with the financial statements for the year under review.

1.3.2 Accounting Standards

Accounting standards that had been followed during the preparation of accounts had not been disclosed together with the financial statements presented for the year under review.

1.3.3 Accounting Deficiencies

The following matters are observed.

- (a) A sum of Rs. 39,412 payable to Local Government Service Pensions Fund for the year under review had not been accounted as an expenditure , whereas a payable sum of Rs. 1,511,710 had not been accounted as creditors.
- (b) The values of lands and 4 buildings had not been assessed and accounted.
- (c) Although the value of 48 debtor balances amounted to Rs. 82,046,918 as per the schedule of sundry debtors, the actual was Rs. 81,996,898 thus observing a difference amounting to Rs. 50,020
- (d) Provisions for creditors had not been allocated for the audit fees relating to the year under review.
- (e) Office equipment, machines and machinery purchased during the year under review , and the rest building constructed during the year , had not been capitalized.
- (f) Provisions for creditors had not been allocated in favor of a sum of Rs. 449,997 that remained payable to 2 industries as at the end of the year under review.
- (g) As the value of the stock of Ayurvedic medicine amounting to Rs. 45,402 as at the commencement of the year under review, had not been shown as the initial balance of the general ledger, the final stock value of the year had been understated in the account by the same amount.

1.3.4 Unreconciled Control Accounts

According to the financial statements, the total of the balances with regard to 8 accounts amounted to Rs. 88,698,680. However, the total was Rs. 83,013,583 according to the supporting documents /schedules, thus observing a difference of Rs. 5,685,097.

1.3.5 Suspense Account

Action had not been taken to settle the credit balance of Rs. 2,382,841 that had been brought forward in the suspense account over several years.

1.3.6 Accounts Receivable and Payable

The following matters are observed.

- (a.) The value of receivable balances that had exceeded 01 year as at 31 December 2013, amounted to Rs. 62,909,647.
- (b.) The value of payable balances that had exceeded 01 year as at 31 December 2013, amounted to Rs. 694,252

1.3.7 Lack of Evidence for Audit

Evidence had not been presented to audit in connection with 02 items of account valued at Rs. 19,329,954.

1.3.8 Bank Accounts

- (i) Bank reconciliations had not been prepared with regard to General Cash Account since July 2013.
- (ii) The value of the overdraft that had been brought forward contrary to provisions of Financial Regulation 387 of the Government of Sri Lanka ,and 5(2) of the Gazette Extraordinary , No. 554/5 dated 17 April 1989, amounted to Rs. 162,542 as at 31 December 2013.

1.3.9 Non-compliance with Laws, Rules, and Regulations

Instances of non-compliance with laws, rules and regulations observed in audit are as follows.

<u>Reference to Laws, Rules, and Regulations</u>	<u>Non-compliance</u>
(a) Pradeshiya Sabha Rules (Financial and Administrative) 1988 Rule 218	The Chairman should take actions to inspect the lands and buildings at least once per year. However, it had not been so done.
(b) Treasury Circular No. IAI 2002/02 dated 28 November 2002.	A registry of fixed assets on computer accessories and software , had not been maintained.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the for the year ended 31 December 2013 amounted to Rs.3,548,957 as compared with the excess of revenue over recurrent expenditure amounting to Rs.6,346,937 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue, and Arrears of Revenue

Particulars on the estimated revenue, actual revenue, and arrears of revenue presented by the Chairman, are as follows.

<u>Source of Revenue</u>	<u>Estimated</u>	<u>Actual</u>	<u>Cumulative Arrears as at 31 December</u>
	<u>Rs. 000</u>	<u>Rs. 000</u>	<u>Rs.,000</u>
Acreage tax	332	146	313
Rentals	126	1,270	326
Licenses	826	493	53
Other Income	20,442	18,217	10,376

2.2.2 Stall Rent

The initial outstanding stall rent income amounted to Rs. 233,395 for the year under review. As only a sum of Rs. 108,384 had been recovered during the year, the progress of recovery was 46 per cent.

2.2.3 Acreage Tax

There had been bills for acreage tax valued at Rs. 2,340 for the year under review, and the outstanding balance as at 01 January 2013 amounted to Rs. 23,858. The sum received during the year from the bills for the year 2013 was Rs. 826 with a 35 per cent progress of recovery. Of the sum that remained due as at 01 January 2013, the sum received during this year was Rs. 4,227, and the progress of recovery was as minimal as 17 per cent.

2.2.4 Court Fines and Stamp Fees

The value of court fines and stamp fees that remained receivable by the end of the year under review, was Rs. 30,376,949.

3. Operating Review

3.1 Human Resources Management

Position of cadre of the Sabha as at 31 December 2013 is as follows.

<u>Category of Employees</u>	<u>Approved</u>	<u>Actual</u>	<u>Vacancies</u>	<u>Excess</u>
Executive	01	01		
Tertiary	02	02		
Secondary	16	16		
Primary	21	19	02	
Other (Substitute/casual/contract basis)	<u>06</u>	<u>10</u>		<u>04</u>
	<u>46</u>	<u>48</u>	<u>02</u>	<u>04</u>

A sum of Rs. 8,167,400 had been reimbursed by the Commissioner of Local Authorities as employee salaries and allowances for members of Parliament during the year under review. As

the said expenditure during the year amounted to Rs. 11,306,854, the Sabha Fund had incurred an additional expense of Rs. 3,139,454.

4. Accountability and Good Governance

4.1 Audit and Management Committees

Audit and Management Committees had not been established by the Sabha.

4.2 Budgetary Control

As variances were observed between the budgeted income and expenditure relating to the year under review and the actual income and expenditure, and therefore, it was observed that the budget had not been made use of as an effective tool of management control.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Revenue Administration
- (d.) Assets Management