

Thissamaharama Pradeshiya Sabha
Hambanthota District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 24 April 2014 while Financial Statements relating to the preceding year had been submitted on 17 May 2013. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 15 December 2014.

1.2 Adverse Opinion

Because of the significance of matters described in paragraph 1.3 of this report, I am of opinion that the financial statements do not give a true and fair view of the financial position of the Tissamaharama 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 Decrease in Net Assets

While the value of net assets as at 31 December 2012 was Rs. 128,413,548, value of net assets as at 31 December 2013 had been Rs.118,900,500. Accordingly the reduction in value of net assets had been Rs. 9,513,048.

1.3.1 Accounting Deficiencies

The following observations are made.

- (a.) Lease money amounting to Rs. 203,280 receivable from the lessee for lasing out the stone crusher belongs to the Sabha for the period from 26 September to 26 December 2013 had not been accounted.
- (b.) Capital Revenue received totalling Rs. 37,857,420 relating to works implemented during the year 2012 had been credited to Revenue Item 3/81 as revenue for the year under review.
- (c.) Transactions relating to Sundry Deposits had not been correctly accounted and due to that a debit balance of Rs. 478,883 had arisen in that account.
- (d.) Payments made totalling Rs. 40,128,852 relating to works implemented during the year 2012 had been debited to Expenditure Item 309 as expenditure for the year under review.
- (e.) Following observations are made with regard to accounting for Court Fines and Stamp Fees.
 - (i.) Revenue receivable amounting to Rs. 226,585 for November and December of the year under review had not been accounted.
 - (ii.) Although the Stamp Fees Revenue receivable as at the end of the year was Rs. 5,223,285, a sum of Rs. 2,425,230 only had been accounted.

- (iii.) Out of the Court Fines and Stamp Fees Revenue received during the year under review relevant to 2009 and 2012 years, a sum of Rs. 97,347 had been accounted as revenue for the year.
- (f.) Ten Items of Fixed Assets valued at Rs. 5,280,565 had not been capitalized.
- (g.) Although the cab vehicle No. 56-1099 had been exchanged for the duel purpose car No. 53-5719 valued at Rs.625000, value of the duel purpose car had not been removed from the accounts.
- (h.) Action had not been taken to account for a sum of Rs. 1,830,999 receivable for the construction works of the Solid Waste Management Project and a sum of Rs. 2,223,818 payable at the end of the year.
- (i.) Revenue totalling Rs. 539,970 relevant to the year under review had not been taken to the revenue for the year.
- (j.) Expenditure totalling Rs. 142,714 incurred during the year 2014 relevant to the year 2013 had been omitted from the year under review and the Creditors.
- (k.) Interest Income amounting to Rs. 224,752 receivable for 03 Fixed Deposits Accounts at the end of the year had not been calculated and accounted.
- (l.) Loans and interest amounting to Rs. 7,552,339 payable to the Local Loans and Development Fund as at 31 December 2013 had not been adjusted in the accounts.

1.3.3 Contingent Liabilities

Value of Rs. 3, 3777,513 payable to Local Government Widows and Orphans Fund as at the end of the year under review had not been disclosed in the financial statements.

1.3.4 Non-reconciled Control Accounts

A difference of Rs. 180,865 was observed between the values according to financial statements relevant to 04 items of accounts and the value according to subsidiary records.

1.3.5 Accounts Payable

Action had not been taken to repay the loans granted to the Sabha through the Urban Development and Low Income Housing Project under the Asian Development Bank Project for the construction of two storied shopping complex and roads, to the Local Loans and Development Fund. Although the payment of interest in September 2005 and installment payments in September 2007 should be commenced and payment of loan and interest should be finalized by 31 December 2012, action had not been taken to pay any sum of interest or loan installments. While the interest amount was Rs.28,439,716, installments amount was Rs.21,352,693 as at 31 December 2013. Accordingly total amount payable was Rs.49,792,409.

1.3.6 Lack of Evidence for Audit

Information such as schedules, up dated registers, confirmation of balances etc., required relating to transactions totalling Rs. 57,970,426 were not furnished to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs. 55,220 as against the excess of recurrent expenditure over revenue for the preceding year amounted to Rs.5,615,095.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is appear below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	1,955	2,357	3,543
(ii.) Lease Rent	7,014	7,538	1,142
(iii.) Licence Fees	16,050	8,513	183
(iv.) Other Revenue	48,586	33,380	3,015

2.2.2 Rates and Taxes

Following observations are made.

- (a.) Action in terms of Section 158(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to Rates in arrears amounting to Rs. 3,567,629 as at the end of the year under review.
- (b.) A list of defaulters in payment of Rates had not been prepared in terms of Rule 33 of Pradeshiya Sabha (Financial and Administration) Rules of 1988.
- (c.) Action in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover Arrears of Rates amounting to Rs. 369,486 due from 13 defaulters in payments over a long period.

2.2.3 Pannegamuwa Weekly Fair

While the amount in arrears outstanding to be recovered for the year 2012 was Rs.51,870, weekly fair had been leased out to the same lessee for the year 2013 in spite of the fact that he has defaulted payment relating to arrears. The amount in arrears relevant to the year 2013 was Rs.59,190.

2.2.4 Stall rent

While the Stalls Rent in arrears due from the stalls belong to the Sabha as at 31 December 2013 was Rs.1,142,895, action in terms of Section 159(1) of the Pradeshiya Sabha Act No.15 of 1987 had not been taken to recover those arrears. Monthly billing had been stopped on a Sabha decision, as the Revenue Overseer had informed that business activities are not carried out by the lessees in 32 stalls located in 04 locations. Action had not been taken to recover arrears amounting to Rs.385,527 as at 06 December 2013.

2.2.5 Licence Fees

Action in terms of Section 147(7) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover License Fees recoverable amounting to Rs. 179,397 as at the end of the year under review.

2.2.6 Court Fines and Stamp Fees

Court Fines and Stamp Fees totalling Rs.2,792,293 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2013.

3. Operating Review

3.1 Management Inefficiencies

A total sum of Rs.410,604 had been paid as at 31 October 2014 salaries and allowances, Employees Trust Fund and Employees Provident Fund contributions, having appointed 05 pre-school teachers and welder during the year under review by the Pradeshiya Sabha.

Following observations are made.

- (i.) Prior written approval of the Commissioner of Local Government had not been obtained for these appointments in terms of Section 19 (1)(1) of the Pradeshiya Sabha Act no. 15 of 1987.
- (ii.) Although appointments involving Public Service Provident Fund should be given according to paragraph 4.1 of the Pension Payments Circular No. 02/2011 dated 24 February 2011 of the Director General of Pension, Employees Provident Fund appointments had been given contrary to that.
- (iii.) Although it had been stated that a policy decision has been taken not to create Pre-school Matron Posts and to abolish the post after retirement of present matrons in service, vide Circular No.DMS/03/97/27/02 dated 30 July 2010 of the Management Services Department, action had been taken contrary to that.

3.2 Operating inefficiencies

3.2.1 Non-issue of Certificates of Conformity

Action had not been taken to issue Certificates of Conformity in respect of the building plans approved by the Sabha for construction works after having carried out supervision works as mentioned in the Urban Development Authority (Plans and Buildings) Order No. 07 published in the Extra Ordinary Gazette No. 392/9 dated 10 March 1986 while 218 building plans had been approved from 2011 to November 2013, out of these certificates of conformity had been issued for only 02 plans.

3.2.2 Improper Transactions

- (a.) Purchases amounting to Rs. 423,920 had been made in 10 occasions without calling for quotations in terms of Pradeshiya Sabha (Finance and Administration) Rule 177 of 1988.
- (b.) Although a minimum of 03 quotations for purchases costing less than Rs. 250,000 and a minimum of 05 quotations for purchases costing more than Rs. Rs. 250,000 should be obtained in terms of Clause 2.14.1 of the Procurement Guidelines of 2006, such action had not been taken in 09 instances of purchases made totalling Rs.2,486,175.

3.2.3 Repairs to Water Bowser

An amount totalling Rs. 930,800 as Rs. 697,025 on 09 January 2013 and Rs. 233,775 on 01 February 2013 had been paid to a private entity for carrying out repairs to water bowser No.227-587. Following observations are made.

- (i.) While an estimate had not been prepared, an agreement had not been entered into with the entity carried out the repairs.
- (ii.) While quotations dated 21 July 2012, had been given by the entity that undertook repairs, an additional quotation of Rs.233,775 had been obtained from the same entity under the date 20 June 2012 in between carrying out repairs indicating as “submission of Quotations for Repair Works of Essential Level”. Although quotations had been given under the date 01 July 2012 for carrying out repairs to the water bowser, accordingly, it was clear that repairs had been carried out prior to that date and calling for quotations had been subsequent to the repairs.

3.2.4 Advances

Advances amounting to Rs. 168,649 had not been settled as at 31 December 2013.

3.3 Assets Management

Following observations are made.

- (i.) While following assets had been kept idle for a long period, action had not been taken to use those or for disposal in terms of Public Finance Circular No 353(5) dated 03 January 2003.
 - (i.) Tractor No. 37-6092
 - (ii.) Cloth Sewing Equipment
 - (iii.) Two Motor Boats
 - (iv.) Physical Exercise Equipment
 - (v.) Inter Connected Concrete Blocks Making Machine

- (ii.) It was revealed at the field inspection carried out on 06 December 2013, that the Information Centre at Kirinda, Godana constructed having spent a sum of Rs.407,529 by the Sabha in 2004 is not utilized for that work.
- (iii.) While it had been stated that a boat received from the Disaster Management Centre was given to the Katuwana Pradeshiya Sabha, action had not been taken to get back that boat even up to 11 June 2014.

4. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management
- (d.) Staff Loans Administration