

## **Thumpane Pradeshiya Sabha**

### **Kandy District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to the Audit on 16 June 2015 while Financial Statements relating to the preceding year had been submitted on 09 April 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 10 August 2015.

##### **1.2 Opinion**

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Thumpane Pradeshiya Sabha as at 31 December 2014 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 are observed.

- (a) The sum of Rs.3,053,758 spent under Palath Neguma provisions for development of Sarath Amunugama Play Ground had not been capitalized.
- (b) Value of drugs amounting to Rs.240,000 received from the Sri Lanka Ayurvedic Drugs Corporation during the year under review had not been accounted.
- (c) Value of 20 computer machines received from the Up Country Development Authority as donations during the year 2012 had not been identified and accounted.
- (d) Value of body building and accessories amounting to Rs.231,900 received as donations during the year 2013 had not been accounted.
- (e) Value of 111 blocks of lands amounting Rs.99,260 belong to the Sabha and 08 blocks of lands value of which had not been identified had not been identified and accounted.
- (f) Value of 67 items of fixed assets amounting to Rs.787,358 received as donations during the year under review had not been accounted.

- (g) The value of the Centrick Water Pump purchased for a sum of Rs.232,140 during the preceding year had been capitalized as Rs.2,232,140. Due to that, Assets Account and the Contribution from Revenue to Capital Outlay Account had been overstated at the rate of Rs.2,000,000.
- (h) The value of Bio Shell Tank amounting to Rs.106,995 accounted under Machinery and Equipment had been accounted under Furniture and Fixtures.
- (i) The value of Road Compactor amounting to Rs.964,000 accounted under Machinery and Equipment had been shown as Rs.960,000 in the Motor Vehicles Account.
- (j) The value of 400 Galvanized Pipes (GI) amounting to Rs.442,858 received from the Ministry of Local Government and Provincial Councils during the year under review had not been accounted.
- (k) While 30 items of assets valued at Rs.66,915 physically not available in the Sabha had been shown in the accounts, any course of action had not been taken in that connection.

### **1.3.2 Non-reconciled Control Accounts**

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When the balance of 02 items of accounts shown in the financial statements is compared with balance according to the schedule, non-reconciliations amounting to Rs.2,823,690 were revealed.

### **1.3.3 Lack of Evidence for Audit**

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Transactions totaling Rs.17,187,938 relevant to 02 items of accounts could not be satisfactorily vouched in audit due to non-rendition of required information to audit.

### **1.3.4 Accounts Receivable**

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Total value of 04 Accounts Receivable balances as at 31 December 2014 was Rs.134,068,013, out of that total of balances that had exceeded a period of more than one year amounted to Rs.11,976,631.

### **1.3.5 Accounts Payable**

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Total value of 02 Accounts Payable balances as at 31 December 2014 was Rs.125,993,137, out of that total of balances that had exceeded a period of more than two years amounted to Rs.15,534,964.

### 1.3.6 Non-compliance with Laws, Rules and Regulations etc.

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

Reference to laws, rules, regulations etc., -----	Non-compliance -----
(a) Pradeshiya Sabha Act No. 15 of 1987 ----- Section 132	A sum of Rs.18,000 had been spent for printing visiting cards including bio data of the Chairman, which is an activity for which Pradeshiya Sabha funds cannot be spent.
(b) Financial Regulations of the Republic of Sri Lanka ----- <ul style="list-style-type: none"> <li>i. F.R. 371</li> <li>ii. F.R. 571 (2)</li> </ul>	Although advances granted for various works should be settled immediately after completion of the relevant works, action had not been taken to settle advances granted amounting to Rs.36,525 in 04 instances since a period of more than 03 years  Action in terms of regulation ref in had not been taken with regard to 17 lapsed deposits valued at Rs.259,021.
(c) Pradeshiya Sabha (Financial and Administrative) Rules Series of 1988 ----- Rules 177 and 178	Construction Works valued at Rs.5,819,483 relating to 19 Works had been assigned to Community Organizations without calling for tenders.

## 2. Financial 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 2014 amounted to Rs.15,772,071 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted

to Rs.1,778,774. Accordingly, an improvement in a sum of Rs.13,993,297 was observed in the financial results.

## **2.2 Revenue Administration**

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### **2.2.1 Rates**

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- (a) While the value of Rates Billing during the year under review was Rs.880,810, recoveries during the year had been Rs.554,540 and percentage of recovery was 63 per cent. Although the balance of Rates in Arrears as at 31 December 2014 had been Rs.458,987, action in terms of Section 158(1) and 159(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken with regard to those balances in arrears even as at 10 July 2015.
- (b) Although the properties in the area of authority where Rates are being recovered should be assessed once in 05 years and Rates should be recovered accordingly, Rates had been decided and recovered on the basis of the assessment made during the year 2004.

### **2.2.2 Water Charges**

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While there was balance of arrears amounting to Rs.359,028 at the beginning of the year under review, a sum of Rs.86,696 was outstanding to be recovered as at the end of the year. Balance out of billings for the year had been Rs.279,592. While recovery of Water Charges was at a low level, a proper procedure had not been followed for the recovery of Water Charges and due to that, there was difference of Rs.272,294 in the opening balance.

### **2.2.3 Three wheels Vehicle Charges**

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While there was a balance of arrears amounting to Rs.917,850 at the beginning of the year under review, a sum of Rs.307,650 had been recovered at the end of the year. A sum of Rs.774,450 was outstanding to be recovered as at the end of the year under review from Three-wheeler Associations in the area of authority of the Sabha including arrears of billings for the year and the non-reconciled sum of the opening balance.

### **2.2.4 Court Fines and Stamp Fees**

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Court Fines amounting to Rs.554,539 and Stamp Fees amounting to Rs.7,678,600 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014.

### 3. Operating Review

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#### 3.1 Management Inefficiencies

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Following matters are observed.

- (a) While the balance of the Accumulated Fund of the Sabha at the end of the year under review had been a debit balance of Rs.11,479,250, this position prevailed continuously since the past two years. The financial results of the Sabha during the preceding 02 years too had been in deficits.
- (b) Funds amounting to Rs.4,00,000 provided for maintenance works of capital nature under the National Program for Strengthening Pradeshiya Sabha by the Ministry of Local Government during the year under review had been spent for payment of salaries without being used for relevant development works.
- (c) when keeping Accounts for the purchase of items such as drugs and water pipes which are not issued entirely during the year, Stores Advance Accounts system had not been followed.

#### 3.2 Idle and under-utilized Assets

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Four items of assets valued at Rs.3,419,619 remained idle and under-utilized since a period of more than 02 years, as at the end of the year under review.

#### 3.3 Contracts Administration

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##### (a) Development of Udadeniya Road

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Although the two sides of the road had been filled with earth and the road had been concreted after developing the canal way, It was revealed at the physical inspection carried out on 16 March 2015 that earth on two side of the road had been washed away. and it had been a hindrance for the existence of the road.

##### (b) Development of Velivita Egodakanda Road

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Following matters were revealed at the physical inspection carried out on 11 March 2015.

- i. The road at a distance of 15 meters from the beginning had been cracked to a width of 09 feet.
- ii. Although the expanding joints of surface of the concrete road should be made at least within a range of 10 feet, expanding joints had been made at a distance of

66 feet away from the beginning of the road and from 44 feet away from that place.

(c) **Development of Dodangolla Road**  
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At the inspection carried out on 11 March 2015 with regard to the road constructed at an expenditure of Rs.97,000, it was observed that the road had been cracked in number places. Although the concrete mixture should be applied with the ratio of 1:2:4(3/4") according to the estimate, concrete mixture had not been laid in conformity with the estimated standard and it was in a weak condition which could be easily breakable. The name board fixed having spent a sum of Rs.7,000 too had been removed.

**3.4 Solid Waste Management**  
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Following matters are observed.

- (a) While a quantity of 5 - 6 tons of wastes are getting accumulated per day in the area of authority of the Sabha, 02 vehicles had been engaged for collection of wastes and had been dumped into a land belongs to the Sabha without being sorted out.
- (b) Although various training programs relating to waste management had been implemented by the Jaica Trainees Association and the Ministry of Local Government and Provincial Councils for Environmental Officers, Secretaries, Technical Officers and New Graduates, a proper procedure relating to waste management had not been implemented in the area of authority of the Sabha.

**3.5 Project Delays**  
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Although a sum of Rs.2,000,000 had been spent for the Kinigama Water Scheme during the year 2012 under Gama Neguma Funds, action had not been taken to implement the relevant water scheme even up to the year 2015.

**4. Accountability and Good Governance**  
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**4.1 Procurement Plan**  
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Although capital expenditure amounting to Rs.224,354,714 had been incurred by the Sabha, a Procurement Plan had not been prepared for the year under review.

**4.2 Action Plan**  
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An Action Plan had not been prepared during the year under review by the Sabha.

### **4.3 Internal Audit**

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An adequate internal audit had not been carried out and queries had not been issued although an Internal Audit Officer had been appointed.

### **4.5 Budgetary Control**

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It was observed according to the budget prepared for the year under review, that the budget had not been made use of as an effective tool of management as there were variations exceeding 100 per cent from 30 per cent of 04 revenue items and from 29 per cent exceeding 100 per cent of 07 items of expenditure when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

## **5. Systems and Controls**

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

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