

**Thambalagamuwa Pradeshiya Sabha**  
**Trincomalee District**

**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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The financial statements for the year 2016 had been presented to audit on 04 May 2017 and the financial statements for the preceding year had been presented on 27 April 2016. The report of the Auditor General for the year 2016 had been forwarded to the Secretary of the Sabha on 16 August 2017.

**1.2 Qualified Opinion**  
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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 Thambalagamuwa Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**  
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**1.3.1. Accounting Policies**  
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The accounting policies adopted in preparation of financial statements had not been disclosed with the financial statements.

**1.3.2 Accounting Deficiencies**  
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The construction of market building by the Sabha under the provision made by the Puraneguma Project at a cost of Rs.5,486,281 had been completed in August 2016. However, the value of the building had not been brought to account.

**1.3.3 Lack of Evidence for Audit**  
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A register of fixed assets had not been maintained for the land, building, plants, motor vehicles and carts valued at Rs.53,684,419`.

**1.3.4 Non-compliance with Laws, Rules, Regulations**  
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Instances of non-compliance with laws, rules and regulations appear below.

Reference to Laws, Rules Regulations	Non-compliance
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(a) 1988 Pradeshiya Sabha(Finance and Administration) Rules	Three officers had been administratively assigned with the duties of cash, stores and signing of

Chapter 1 – Section 5 (x11)

cheques. But security deposits had not been obtained from them.

(b)Section 134(1) of the Pradeshiya Sabha Act No.15 of 1987

Action had not been taken to identify the immovable assets within the area of the Pradeshiya Sabha and to assess their values so as to recover rates and taxes accordingly.

## 2. **Financial Review**

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### 2.1 **Financial Results**

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.393,131 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.438,752 showing a deterioration in financial results amounting to Rs.45,621.

## 3. **Operating Review**

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### 3.1 **Contract Administration**

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#### 3.1.1 **Gravelling the Road**

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Temporary measures such as gravelling of roads should be avoided and carpeting, tarring, and concreting work should be carried out so as to use the roads for a long period, according to Paragraph 1.2 of the circular of the Finance Commission No.2016/01 of 30 December 2015. However, the Sabha had gravelled the road at a cost of Rs.370,095 contravening the circular instructions.

3.1.2 The contract to renovate the Buhari Town Playground awarded on 12 August 2014 under Puraneguma Project had been completed and a sum of Rs.3,345,139 had been paid to the contractor by obtaining a certificate from the technical officer stating that the work referred to in the bill of quantities had been satisfactorily carried out. However, this included a sum of Rs.191,875 relating to work not completed, such as painting the children's park and the playground and installation of a water tank.

3.1.3 The Sabha had awarded a contract for erecting a parapet wall around the vehicle park for Rs.790,460 to the Mullipothana North Community Centre under the Provincial Specific Development Grant in 2015. The following matters were observed in this connection.

- (a) The parapet wall constructed covered an area of 150 m<sup>2</sup> of which 111.05 m<sup>2</sup> only had been painted. But, the technical officer had certified that the entire 150 m<sup>2</sup> area had been painted and a sum of Rs.37,650 had been paid accordingly. A sum of Rs. 9,776 had been over paid for work not done, that is an area of 38.95 m<sup>2</sup>.
- (b) The parapet wall around the car park had been constructed at a cost of Rs.790,460. But, so far action had not been taken to make use of it. As such, the desired objective had not been achieved.

### 3.2 Management Inefficiencies

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The following observations were made.

- (a) The Sabha had not taken action upto now to settle the loan of Rs.11,999,424 and the interest thereon amounting to Rs.3,290,367 obtained from the Local Loans and Development Fund in 2012 to construct the office building.
- (b) The Sabha had used 05 vehicles obtained from other institutions as donation during the past 03 years. However, action had not been taken to transfer the ownership of those vehicles in favour of the Sabha till 25 August 2016.
- (c) Nine receipts books had got lost in 2013 and 2014. The money received by the receipts books concerned had not been handed over to the Sabha by the officer responsible. The ex-Secretary of the Sabha and 05 employees had stated by their letter dated 17 February 2015 that they have received those books and the amount concerned would be paid by them. They had paid Rs.160,900 for 02 books only on 08 February 2016. However, disciplinary action had not been taken against them in terms of the Provincial Financial Rule 71.3 and to assess the loss caused regarding the other 07 books so as to recover the loss.

### 3.3 Environmental Problems

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The garbage collected by the Sabha had been disposed of in a jungle area close to the Kandy Road and it had become a threat to the elephants living in the jungle which consume them.

### 3.4 Uneconomic Transactions

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The contributions to the Employees' Provident Fund should be remitted to the Fund before the end of the month concerned in terms of the Employees' Provident Fund Act No.46 of 1980. However, the officers responsible had not remitted the contributions of employees of the Sabha for the period January 2012 to April 2014 on the due dates. As a result, a sum of Rs.40,919 had been paid as surcharge by the Sabha.

#### 4. **Accountability and Good Governance**

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##### 4.1 **Idle Assets**

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The following observations are made.

- (a) Two motor cycles purchased in 2015 remained idle for 03 years without being used.
- (b) The public market at Thambalagaman belonging to the Sabha had been renovated at a cost of Rs.531,996 on 23 December 2015. However, it remained idle till 27 June 2017.
- (c) The Sabha had purchased a two wheeled tractor and a trailer for Rs.530,000 on 21 November 2016 under the Provincial Special Development Grant for removal of garbage. But, these remained idle at the vehicle park of the Sabha without being used. Further, there was another damaged two wheeled tractor in the premises.

##### 4.2 **Annual Board of Survey**

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The board of survey for 2015 had been conducted on 16 August 2016 and the board had recommended to sell 33 items and to repair 11 items. Meanwhile, it had recommended to destroy 06 items. However, action had not been taken in this regard up to 28 March 2017, the date of audit.

#### 6. **Systems and Controls**

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

Systems and Controls	Attention needed
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(a) Fixed Assets Control	(i) Maintenance of a register of fixed assets  (ii) To make use of the idle assets of the Sabha
(c) Contract Administration	(i) To follow procurement guidelines while awarding contracts. (ii) To follow the instructions in the circular of the Finance Commission while awarding contracts to community centres.