

**Thawalama Pradeshiya Sabha  
Galle District**

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**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 30 March 2017 and the financial statements for the preceding year had been presented on 01 December 2016. The report of the Auditor General for the year 2016 had been forwarded to the Secretary of the Sabha on 17 November 2017.

**1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Thawalama Pradeshiya Sabha give a true and fair view of the financial position 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 Deficiencies**

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The following accounting deficiencies were observed in audit.

- (a) The balance of the Fixed Assets Account and the balance of the Revenue Contributions to Capital Outlay Account should be equal to each other. However, there was a difference of Rs.765,692.
- (b) The deficit of the Revenue and Expenditure Account of the year under review amounting to Rs.1,236,151 had not been adjusted in the Accumulated Fund and as such the equity had been overstated by a similar amount.
- (c) The balance of the Arrears of Stall Rent Account had been overstated by Rs.24,525.
- (d) The balance of creditors as at end of the year under review had been understated by Rs.62,000.

**1.3.2 Unreconciled Control Accounts**

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The balances of 07 items of accounts included in the financial statements amounting to Rs.47,261,648 and the related balances shown in the subsidiary registers / schedules differed by Rs.11,694,802.

### 1.3.3 Suspense Account

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The credit balance of the Suspense Account which continued to be brought forward for over 04 years amounted to Rs.11,493. Action had not been taken even during the year under review to identify, adjust and settle this balance.

### 1.3.4 Accounts Receivable and Payable

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The following matters were observed.

- (a) Action had not been taken even during the year under review to settle the trade complex security deposit receivable amounting to Rs.518,000 which continued to be brought forward since 2005 and the arrears of trade licence fees of Rs.8,800 existing since 2013.
- (b) Action had not been taken even by end of the year under review to recover the total receivables of Rs.10,031,216 on behalf of jobs for the period 2011 to the year under review.
- (c) Action had not been taken to settle the payables aggregating Rs.12,454,024 on behalf of 21 jobs as at end of the year under review.
- (d) Action had not been taking even during the year under review to settle the balances of pensions payable amounting to Rs.1,918,452 which continued to be brought forward in the financial statements for over 06 years.

### 1.3.5 Lack of Evidence for Audit

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A proper and updated register of fixed assets for 08 items of fixed assets aggregating Rs.29,271,598, as appearing in the financial statements, a properly maintained register of stamp fees and court fines for stamp fees and court fines amounting to Rs.2,666,209 and detailed information, explanations and evidence for confirmation of creditors amounting to Rs.5,253,480 had not been furnished and as such these could not be satisfactorily examined in audit..

### 1.3.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

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

#### Reference to Laws, Rules, Regulations etc.,

#### Non - compliance

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Financial Regulations of the  
Republic of Sri Lanka  
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| (i) Financial Regulations 570 and 571<br>(1)(2) | Action had not been taken with regard to 08 lapsed<br>deposit balances aggregating Rs.141,000. |
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- (ii) Financial Regulations 1645 and 1646 Daily running charts and monthly performance summaries of 08 vehicles belonging to the Sabha had not been furnished for audit.

## **2. Financial Review**

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### **2.1 Financial Results**

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According to the financial statements presented to audit, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2016 amounted to Rs.1,126,312 as compared with the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.3,990,442. A comparison of the financial results of the year under review with the preceding year shows an increase of Rs.2,864,130 in financial results.

### **2.2 Revenue Administration**

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#### **2.2.1 Acreage Tax**

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The arrears of acreage tax of Rs.49,808 at commencement of the year under review had increased up to Rs.55,469 as at end of the year. Action had not been taken in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No. 15 of 1987 to recover the arrears of tax.

#### **2.2.2 Business Tax**

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Action had not been taken in terms of Section 152(4) of the Pradeshiya Sabha Act No.15 of 1987 to recover the arrears of business tax amounting to Rs.413,960 as at end of the year under review.

#### **2.2.3 Stall Rent**

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Action had not been taken in terms of Section 159 (1) of the Pradeshiya Sabha Act No.15 of 1987 to recover the balances of rent of stalls and the excess charges of the trade complex amounting to Rs.41,550 as at end of the year under review.

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

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The stamps fees of Rs.1,971,585 and court fines of Rs.694,625 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2016.

### **3. Operating Review**

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**3.1** The Sabha had not taken action to dispose of, its condemned vehicles in terms of the Public Finance Circular No.2/2015 of 10 July 2015. The inoperative road roller of the Sabha remained in the premises of the Sabha since 2010.

### **3.2 Performance**

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No provision, whatsoever, had been made during the past 04 years to purchase pharmaceuticals for the Ayurveda Centre maintained by the Sabha.

### **3.3 Management Inefficiencies**

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The following matters were observed.

- (a) The watcher who served at the Opatha sub office since 1998 had been entrusted with the duties of daily collection of revenue from 01 January 2010 and the responsibilities relating to the library.
- (b) A sum of Rs.8,499 had been paid as surcharge due to non payment of contributions of the employees to the Employees' Provident Fund on the due dates.
- (c) The Sabah had not taken action to recover the loan balances of Rs.112,388 recoverable from 14 employees of the Sabha.

#### **(d) An examination of the Opatha Sub Office Building**

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- (i) An ayurvedic dispensary and a public library were in existence at the Opatha sub office belonging to the Thawalama Pradeshiya Sabha before 2006. This sub office was in a dilapidated condition by end of the year under review.
- (ii) Rent for 82 months amounting to Rs.410,000 had not been recovered on behalf of the police post which had functioned in this building.
- (iii) The supply of electricity had been discontinued for non payment of electricity bills and action had not been taken to obtain reconnection.
- (e) The ownership of 07 vehicles used by the Sabha had not been acquired.
- (f) The Sabha was not in possession of any information, whatsoever, regarding its double cab bearing No53-5698.

### **3.4 Uneconomic Transactions**

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A sum of Rs.25,633 had been paid as expenditure on travelling to an officer of the Sri Lanka Technical Service and a Revenue Inspector of the Sabha contrary to the Circular No.දපපා/පපාකො/2014/01 of the Commissioner of Local Government.

### **3.5 Contract Administration**

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A sum of Rs.100,000 had been granted to the Sabha on 18 March 2016 under the Southern Provincial Council Development Plan to develop the rural libraries of the Thawalama Divisional Secretariat Area. However, development work had not been carried out in 02 libraries of the Sabha.

### **3.6 Solid Waste Material Management**

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The Ministry of Local Government and Provincial Councils had approved a sum of Rs.4,567,116 during the year 2011 to construct a Solid Waste Material Management centre for the Thawalama Pradeshiya Sabha and a sum of Rs.913,423 had been paid as first instalment. The following matters were observed in this connection.

- (i) The work had commenced without examining this place by the National Building Research Organization or by obtaining a licence from the Environmental Development Authority.
- (ii) The Sabha was not in possession of a title deed or a clean deed of the land utilized for this work. However, a security post and a project office had been constructed there.
- (iii) An expenditure of Rs.902,945 had been incurred in excess of the estimated expenditure for work not included in the estimate for the work.
- (iv) Meanwhile, shrubs had grown all over the land and the doors and electrical fittings had been removed by someone.
- (v) A heap of soil and a tree had fallen on this land with a project office during the floods of May 2017 causing complete destruction.
- (vi) This Solid Waste Material Management Centre constructed in close proximity to the right bank of Gin Ganga without a feasibility study had been devastated beyond use. The expenditure of Rs.1,459,808 incurred in this connection had become fruitless.

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

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### **4.1 Budgetary Control**

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Savings aggregating Rs.14,212,485 relating to 06 items of expenditure, the entire savings in the provision aggregating Rs.239,200 with regard to 02 other items and non achievement of targets amounting to Rs.13,531,347 relating to 05 items of revenue were observed in the budget for the year under review. Thus, it was observed that the budget had not been utilized as an effective instrument of management control.

#### 4.2 Internal Audit

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Adequate internal audit had not been carried out and the reports furnished to the Auditor General in terms of Financial Regulations 133 and 134 and the circular No.දපප/යන/01/න.ව.ලේ of 24 February 2014 of the Commissioner of Local Government (Southern Province)

#### 4.3 Implementation of Audit and Management Committees

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Action had not been taken to establish Audit and Management Committee even by end of the year under review as per provisions in the Management Audit Circular No. DMA/2009(i) of 09 June 2009.

#### 4.4 Unresolved Audit Paragraphs

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Although it had been consented to rectify deficiencies pointed out in paragraph 2.2.2 (a) of the Auditor Generals' report of the previous year, necessary rectifications had not been made even by end of the year under review.

#### 5. Systems and Controls

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Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time by audit queries. Special attention is needed in respect of the following areas of systems and controls.

<b>System</b>	<b>Main deficiency in the System</b>
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(a) Control over Vehicles	(i) Action had not been taken to test consumption of fuel by vehicles of the Sabha.  (ii) Action had not been taken to repair or to dispose of, the idle vehicles.  (iii) Action had not been taken to acquire ownership of vehicles.  (iv) Daily running charts had not been furnished to audit.
(b) Accounting and Maintenance of Registers	(i) A register of vehicles had not been maintained by the Sabha.  (ii) The Sabha had not maintained a main journal.  (iii) A register of losses and damages had not been maintained to include information regarding losses and damages.

- (iv) An updated register of fixed assets had not been maintained.
  - (v) A register of fixed assets had not been maintained for computers.
- (c) Collection of Revenue
  - (i) A proper method had not been adopted for the recovery of arrears of revenue.
  - (ii) Action had not been taken to recover stamp fees in an updated manner.
  - (iii) Action had not been taken to update the agreements relating to lease of stalls.
- (d) Staff Management
  - (i) Action had not been taken to fill the vacancies in the cadre and to regularize the excess cadre.
  - (ii) Action had not been taken to recover loan balances of officers who had served in the Sabha.
- (e) Budgetary Control
  - (i) The entire provision of 02 items of expenditure and savings of 09 to 62 per cent in 08 other items of expenditure were observed.
  - (ii) Adverse variances were observed in 05 items of revenue which ranged from 13 to 79 per cent.