

Thirukkovil Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to audit on 06 June 2018 and the Auditor General's Report relating to the year under review was sent to the Chairman on 19 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Thirukkovil Pradeshiya Sabha as at 31 December 2017 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 Policies

The Accounting Policies used by the Council for preparation of accounts had not been disclosed in the financial statements.

1.3.2 Accounting Deficiencies

Following accounting deficiencies were observed

- (a) Interest income of Rs. 500,143 relating to 03 fixed deposits of the year under review had not been included in the receipt and payment accounts and as a result, income for the year under review had been understated from the same amount.
- (b) The arrears of Rs. 445,194 payable to the Local Loan Development Fund for the purchase of the funeral car had been accounted as capital loan and the in Cumulative Fund, and as a result the Cumulative Fund was overstated from that amount and the balance sheet shows difference by that amount.
- (c) The sum of Rs. 685,856 paid to the Local Loan Development Fund from the year 2015 up to the end of the year under review in respect of purchasing the funeral vehicle had been shown in the Bank Reconciliation Statement as direct deposits and instead of credit the Cash Book. Due to that cash balance as at 31 December 2017 was overstated by the same amount.
- (d) The cumulative funds and cash balances were understated as a result of direct deposits of a total sum of Rs. 4,558,289 in the General Bank Account of the Sabha, from 2015 to the end of the year under review as unidentified direct deposit in the bank reconciliation statement, without being recognized as income.

- (e) Due to not accounting of the public market building of the Vinayagapuram which was built at a cost of Rs. 5000,000 under the financial provision of the European Union and taken over by the Sabha in the year under review, the Cumulative Fund and fixed assets were understated by the same amount.
- (f) Since the vehicle park value of Rs. 881,679 which was built from the provisions of the Sabha in the year under review not stated as Fixed Assets, the Cumulative Fund and fixed assets have been understated from same amount.
- (g) Even though a sum of Rs. 11,855,587 had been added as fixed assets in the year under review, it was observed due to a sum of Rs. 6,318,078 was taken to the cumulative fund as a state subsidy for capital expenditure as a result the cumulative fund had been understated by Rs. 5,537,509 and the Balance Sheet was not balanced by that amount.
- (h) Even though a sum of Rs. 17,313,568 had been added to the fixed assets in the year 2016, it was observed due to a sum of Rs. 19,431,255 was taken to the cumulative fund as a state subsidy for capital expenditure, as a result the cumulative fund had been understated by Rs. 2,117,686 and the Balance Sheet was not balanced by that amount.
- (i) Even though 74 kinds of office furniture were sold for a sum of Rs. 227,950 by an auction in the year under review on the recommendation of the Annual Board of Survey report of the year 2016, the cost of those items was not assessed and removed from the accounts.
- (j) Even though the total outstanding balance to be recovered from the officers as at 31 December 2016 was Rs.4,858,582, and to this balance was carried forward on 01 January 2017 as Rs. 4,497,984 loan balance of the year under review in the financial statements was understated by Rs. 360,598.

1.3.3 Receivables

Even though, out of Arrears Government Grant of Rs.2,577,194 as at 31 December 2017 a sum of Rs. 862,097 had been outstanding over 06 years, and it was shown continuously in the financial statements without being taking action to recover those.

1.3.4 Non-compliance with the Laws, Rules and Regulations

Following non-compliance with laws, rules and regulations had been observed in audit.

Reference to Laws, Rules, and Regulations	Value	Non-compliances
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	Rs.	
(a) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	1,711,438	Action as per financial regulations had not been taken relating to 32 deposits which were exceeded from 2 years to 10 years.
(b) Treasury Circular No. IAI/2002/02 Dated 28 November 2002	600,000	A separate fixed assets register had not been maintained to record 06 computers, computer soft wares and accessories..

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2017 amounted to Rs.3,005,795 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 6,800,750. It shows a deterioration of Rs.3,794,954 in the financial results for the year under review. Decrease of warrant charges and fine income of Rs. 4,208,436 had been the main reasons for this deterioration.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Details of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year as per the information submitted are shown below.

Revenue Item	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	40,000	5,648	5,648	7,222	30,000	1,000	1,000	7,222
Rent	3,295,000	3,378,113	3,213,038	2,552,018	3,155,000	2,676,576	2,344,001	2,386,943
Licence Fees	687,500	586,000	586,000	17,955	665,000	108,500	113,570	17,955
Other Income	6,405,000	2,343,391	2,343,391	-	7,001,000	2,324,367	2,324,367	-

2.2.2 Performance of Revenue Collection

Out of the recoverable revenue of Rs. 8,725,272 up to 31 December 2017, as at 31 December 2017, the Sabha had recovered Rs. 6,148,077 of revenue for the year under review. Accordingly, revenue collection percentage was 70 per cent.

2.2.3 Rates and Taxes

According to Section 134 of the Pradeshiya Sabha Act No. 15 of 1987, action had not been taken to assess and recover rates on 449 business places and 8,753 houses within the authority area of the Sabha and nearly an income of Rs. 4,700,000 had been lost annually.

2.2.4 Rent Income

Following observations are made.

- (a) Out of arrears of lease rental amounting to Rs. 1,624,003 from meat stalls, fish markets and common markets as at 31 December 2017 a sum of Rs.801,371 had not been recovered for more than 02 years.
- (b) Out of arrears of rent income amounting to Rs. 928,015 as at 31 December 2017 a sum of Rs. 736,135 had not been recovered for more than 02 years

2.2.5 Recovery of Advertising Board Charges

Due to delay of empowering By-laws regarding recovery of revenue in terms of Section 126 of the Pradeshiya Sabha Act No. 15 of 1987, advertising charges from 42 advertising boards which were fixed to advertise sales items of private institutions in the authority area of the Sabha could not be recovered and nearly an income of Rs.150,000 had been lost annually.

3. Operating Review

3.1 Performance

3.1.1 Sustainable Development Goals

Every organization must comply with the United Nations Sustainable Development Program for the year 2030 according to the Sri Lanka Sustainable Development Act No. 19 of 2017. Nevertheless, the Sabha had not taken action to identify the goals relating to this and achieving targets.

3.2 Management Weaknesses

Following observations are made.

- (a) Six vehicles and 03 trailers received from the Local Government Institutions and other institutions had not been used for a period of 2 years to 12 years and action had not been taken to transfer them to the name of the Sabha.
- (b) Three Tractors, 03 Rollers and one bowser owned by the Sabha which can be used after repaired was remaining out of use since action had not been taken for more than 4 years for repairing.
- (c) If advance had been given for a particular purpose, the advances should be settled immediately after the fulfilment of that purpose, 04 advances of Rs.1,475,168 paid to the former Chairman, Contractors and Technical Officers of the Council had not been settled for over 5 years.

3.3 Operational Inefficiencies

Following observations are made.

- (a) The Vinayagapuram public market building which was constructed spending Rs.500,000 under the European Union Provisions and taken over by the Council in the year under review had been inoperative even by 30 August 2018 due to being built in a unpopulated area.

- (b) During the year under review the Thammattai Library was renovated at a cost of Rs.76,303 and furniture and equipment valued at Rs. 144,930 had been purchased for this library. However, it was observed that the relevant furniture were stored in the main library without being installed in this library even by 30 August 2018 and the relevant library also was idling without being used.
- (c) Approval of the Road Development Authority had not been obtained for the construction of the main bus stand built under the Pradeshiya Sabha Strengthening Program and it was observed that the construction had been suspended after spending Rs. 76,165 on an estimate of Rs. 167,000 as the construction work had been carried out in the area of the Road Development Authority.
- (d) An organic fertilizer grinder was purchased at a cost of Rs . 101,532 in the year under review, but it was idled up to 30 August 2018 without being used for the purpose. Furthermore, it was observed that people had to travel a long distances to buy organic fertilizer as the product sales centre of the organic fertilizer plant was located in a unpopulated.
- (e) Out of 12 shops in the upstairs of the central market in Thambiluwa 10 shops had been idled for over 3 years. Action had not been taken by the Sabha to use these

4. System and Control

Special attention is needed in respect of the following areas and matters mentioned before that.

Control Area -----	Matters to be make attention -----
(a) Fixed Assets Control	(i) Updating and Maintaining fixed assets register.
(b) Maintaining Ledger Accounts	(ii) Action to be taken to use idle fixed assets. Maintaining the expenditure ledger accounts and cash book in an updated manner.
(c) Management of Revenue Recovery	Taking action to recover arrears income.