

Thanamalwila Pradeshiya Sabha
Monaragala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been presented to Audit on 21 March 2018 and the Report of the Auditor General on those financial statements had been sent to the Chairman on 20 June 2018.

1.2 Qualified Opinion

In my opinion, except for the effects 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 Thanamalwila 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 Deficiencies

The following accounting deficiencies were observed in audit.

- (a) Action had not been taken to value and account 25 blocks of land enjoyed by the Sabha.
- (b) The value of 48 buildings owned by the Sabha, had not been brought to account.
- (c) Constructions valued at Rs.31,508,354 carried out by the Pura Neguma Project in the year under review, had not been capitalized.
- (d) Two machinery valued at Rs.608,035 purchased in the year under review had not been capitalized.
- (e) Fittings valued at Rs.367,160 installed in the Sabha building in the year under review had not been capitalized.
- (f) Vehicle Park of the Pradeshiya Sabha, net fence of the new office and shelves of the record room valued at Rs.1,781,547 constructed in the year under review had not been capitalized.
- (g) Even though the amount payable for the Sevanagala Solid Waste Project as at 31 December of the year under review, had been Rs.339,734, it had been brought to account as Rs.1,114,734, thus overstating by Rs.775,000.
- (h) The sum retained in hand amounting to Rs.198,024 relating to the work of erection of wire fence around the Thanamalwila Youth Corps Training Centre had been credited to the Deposit Account and brought to account under works creditors again. As such, works creditors had been overstated and the surplus had been understated by the similar amount.

- (i) Stamp fees receivable as at 31 December of the year under review had been overstated in accounts by Rs.139,922 and as such, stamp fees receivable and the revenue had been overstated by the similar amount.
- (j) The expenditure amounting to Rs.131,310 payable as at 31 December of the year under review had not been brought to account and as such, expenditure of the year and creditors had been understated by the similar amount.

1.3.2 Accounts Receivable and Payable

(a) Accounts Payable

- (i) Action had not been taken to remit stamp duty amounting to Rs.209,287 relating to the year under review, to the Commissioner of Inland Revenue.
- (ii) Action had not been taken to pay loan installments of Rs.2,321,083 for the year under review relating to the loan of Rs.10,000,000 obtained from the Domestic Loan and Development Fund for the purchase of Motor Grader Machine.

1.3.3 Lack of Evidence for Audit

 Three items of assets totalling Rs.14,532,681 could not be satisfactorily verified in audit due to failure to furnish necessary information.

1.3.4 Non-compliances

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

The following instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
----- Rs.	----- Rs.	-----
(a) Pradeshiya Sabha Act, No.15 of 1987 ----- Section 159	1,917,946	Action had not been taken to recover rents receivable from stalls owned by the Pradeshiya Sabha and from annual Tender properties.
(b) Gazette Extraordinary No.392/9 dated 10 March 1986 of the Democratic Socialist Republic of Sri Lanka and Circular No.08/01/38 of 20 March 1985 of the Director General of the Urban Development Authority	---	Even though the approval for any development activity should be obtained from the relevant local authority before commencing that activity, 44 constructions had been carried out within the area of authority without obtaining such approval.

(c) Gazette No.1533/16 dated 23 January 2008 under the Order of Section 23 of the National Environment Act, No.47 of 1980

140,000 Action had not been taken to renew 35 expired licenses issued by the Sabha in preceding years and to recover charges therefor.

(d)Public Finance Circular No.02/2015 of 10 July 2015
Section 04

--- Even though action should be taken before 10 October 2015 to dispose of unserviceable assets, action had not been so taken in respect of an unserviceable Land Master.

02. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.16,231,263 as compared with the corresponding excess of revenue over recurrent expenditure amounting to Rs.12,010,379 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

Information on the estimated revenue, billed revenue, collected revenue and the arrears of revenue presented relating to the year under review and the preceding year, is given below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	60,000	51,620	51,620	-	60,000	41,000	41,000	-
(ii) Lease Rents	11,626,300	11,627,700	9,709,754	1,917,946	9,487,350	8,142,179	6,202,833	1,939,346
(iii) Licenses Fees	1,426,523	1,718,949	1,718,949	-	1,202,000	1,134,989	1,134,989	-
(iv) Other Revenue	13,292,038	22,468,760	9,773,678	12,695,082	14,484,620	17,785,870	7,043,069	10,742,801
Total	26,404,861	35,867,029	21,254,001	14,613,028	25,233,970	27,104,038	14,421,891	12,682,147

2.2.2 Performance in Collection of Revenue

Out of the total revenue amounting to Rs.35.9 million billed in the year under review, a sum of Rs.21.3 million had been collected by the end of the year and it had been an amount as low as 59 per cent of the total billed value.

2.2.3 Rates

Even though the area of authority of Thanamalwila Pradeshiya Sabha had been declared as an urban development area by the Gazette Extraordinary No.1090/05 of 26 July 1999 of the Democratic Socialist Republic of Sri Lanka, action had not been taken even by the end of the year under review to recover rates by identifying units of rates.

2.2.4 Rent

- (a) Action had not been taken even in the year under review to recover the arrears of rents amounting to Rs.921,550 remained unrecovered over a period of many years from 22 stalls located in Thanamalwila, Moraketiya and Danduma.
- (b) Action had not been taken even in the year under review to recover the arrears of lease rent amounting to Rs.918,297 recoverable for properties leased out on Tenders in preceding years.

2.2.5 Other Revenue

- (a) Action had not been taken to recover a sum of Rs.530,149 remained unrecovered over a period of many years by hiring out the Motor Grader and Roller owned by the Sabha and a sum of Rs.1,808,248 recoverable relating to the year under review.
- (b) Action had not been taken to recover arrears of water charges amounting to Rs.388,475 receivable as at 31 December of the year under review relating to 02 water projects at Anandagama and Nelumwewa implemented by the Sabha.

2.2.6 Court Fines and Stamp Fees

Court fines and stamp fees receivable as at 31 December 2017 from the Chief Secretary of the Provincial Council and from other authorities had been Rs.9,134,919 and Rs.693,259 respectively.

2.3 Surcharges

A sum of Rs.378,754 was recoverable as at 31 December 2017 for surcharges imposed in preceding years by me against the responsible persons in terms of provisions of the Pradeshiya Sabha Act.

03. Operating Review

3.1 Performance

Matters revealed in respect of functions which should have been performed by the Sabha such as regulation and control of matters relating to public health, public utility services and public thoroughfares and protection and promotion of the comfort, convenience and welfare of the people under Section 3 of the Pradeshiya Sabha Act, are given below.

(a) By-Laws

Even though by-laws should have been imposed for performing 30 main purposes under Section 126 of the Pradeshiya Sabha Act, by-laws had been imposed only for 05 purposes even by 31 December 2017.

(b) **Action Plan**

Even though functions which should have been performed by the Sabha in accordance with by-laws imposed, had been decided, an Annual Action Plan had not been prepared.

(c) **Solid Waste Management**

(i) Even though action had been taken to accept Uva Provincial By-laws declared by the Gazette No.1816/43 of 28 June 2013 of the Democratic Socialist Republic of Sri Lanka, action had not been taken to recover the expenditure on waste management incurred in the year under review by levying garbage tax in terms of Section 2 of the Part 13.

(ii) There was a possible risk of spreading communicable diseases such as Dengue due to improper disposal of non-degradable waste collected daily from Sewanagala and Thanamalwila.

(iii) Action had not been taken in terms of Gazette Extraordinary No.1533/16 of 25 January 2008 to obtain relevant permits from the Central Environmental Authority for compost yards in Thanamalwila and Sewanagala and for lands in which garbage is disposed of.

(d) **Sustainable Development Goals**

The Sabha was not aware of the 2030 Agenda on Sustainable Development Goals and as such, long term plans for the improvement of the living standards and health of the people of the area of authority of the Sabha through global indices for the said goals, had not been prepared even by 23 May 2018.

3.2 Management Inefficiencies

(a) The room of 1,128 square feet in extent allocated for the library of the new Pradeshiya Sabha Building constructed under the Pura Neguma Project and equipment valued at Rs.760,400 had not been utilized.

(b) Action had not been taken to issue Certificates of Conformity by examining 60 building plans approved by the Sabha in the years 2014, 2015 and 2016.

(c) A number of 3,044 books valued at Rs.522,418 and 28 book shelves valued at Rs.210,000 existed in 15 libraries which are inoperative, had not been taken over to the Sabha.

3.3 Assets Management

3.3.1 Assets not vested

Action had not been taken to vest 98 cemeteries.

3.4 Procurement

3.4.1 Procurement Plan

The Procurement Plan for the year under review had not been prepared by the Pradeshiya Sabha.

04. Good Governance and Accountability

4.1 Budgetary Control

Significant variances were observed between the budgeted and actual income and expenditure of the Pradeshiya Sabha relating to the year under review, thus indicating that the budget had not been made use of as an effective instrument of control.

4.2 Audit and Management Committee

The Sabha had not taken action to hold adequate audit and management committee meetings for the year under review.

05. Systems and Controls

Deficiencies observed during the course of Audit were brought to the notice of the Sabha from time to time and special attention is needed in the following areas of control.

System -----	Deficiency -----
(a) Assets	(i) Non-maintenance of Registers
(b) Projects	(ii) Failure in taking action to vest lands. Lack of adequate supervision.