

Thumpane Pradeshiya Sabha
Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for the audit on 29th of March 2019, while the summarized report of Auditor General on the financial statements and detailed management report had been forwarded to the Chairman of the council on 31st May 2019 and 30th June 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for the qualified opinion section of this report, Financial statements give a true and fair view of the financial position of the Thumpane Pradeshiya Sabha as at 31st December 2018 and its financial performance for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the Qualified Opinion

1.3.1 Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The value of books received for 05 public libraries of Sabha had been overstated by Rs.233,677.	The value of books should be accounted correctly.	The correction was done by a journal entry.
(b) The value of books which were disposed from the library had been understated by Rs.190,275.	The value of books disposed from the library should be accounted correctly.	The correction was done by a journal entry.
(c) The value of 2 buildings as per the fixed asset register had been understated by Rs.7,356,291.	The value of Fixed assets should be accounted correctly.	The correction was done by a journal entry.
(d) 02 buildings that were built up incurring Rs.460,545 costs in the year under review had not been capitalized under non-current assets.	The value of fixed assets should be accounted correctly.	The correction was done by a journal entry.
(e) Interest receivable of Rs.183,911 for the year under review had been revealed under other investments.	The balance sheet items should be revealed under correct heading.	Action will be taken to correct.

1.3.2 Un-Reconciled Accounts

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
A difference of Rs.55,090 was observed between the balances of 02 subjects included in the financial statements and the balance of source documents	Correction should be done in the accounts by reconciling the differences of relevant balances	One difference was corrected by journal entry and otherone is under the Observation.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
The aggregate that had elapsed the period of 5 years was Rs.454,864.	Actions should be taken to collect accrued income immediately.	The action would be taken to collect accrued income immediately.

(b) Accounts Payable

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting officer -----
The aggregate that had elapsed the period of 1 to 5 years was Rs.16,603,588.	Actions should be taken to settle the payable balances.	The progress will be presented in the Audit and Management committee meeting.

1.3.4 Lack of Necessary Documentary Evidence for Audit

----- Non-Presentation of Information -----		
----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
The transactions of aggregate value was Rs.46, 065,918 could not be satisfactorily vouched in audit, due to the non-presentation of information such as board of survey report, fixed asset register, deeds, transfer orders, inventory register ect.	The evidences which verify the account balances in the financial statements should be presented.	The board of survey will be done within a month and reported and fixed asset register will be updated.

1.4 Non-Compliance

Non-Compliance with Laws Rules, Regulations and Management Decisions

Non-compliance with Laws, Rules, Regulations and Management Decisions are as follows.

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliance	Recommendation	Comments of the Accounting Officer
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(a) Pradeshiya Sabha Act No.15 of 1987. Section 219(1) & (2)	Although a member of the Sabha shall not have a direct or indirect financial or agreed relationship with Pradeshiya Sabha, in 2015 the chairman and 02 members had been acquired 05 shops under an agreement.	It should be complied with Pradeshiya Sabha Act.	Two members accepted that they had entered into shop rental agreement and further Sabha has not any documentary evidence to prove that the former chairman and 03 members had acquired 03 shops in the name of his son, wife and mother under an agreement.
(b) Pradeshiya Sabha (Financial and Administration) rules of 1988			
(i) Rule 59 & 61	A yearly survey had not been implemented in relating to businesses and industries situated in Sabha area in the reviewed year.	An yearly survey in relating to businesses and industries situated in Sabha area should be implemented.	The yearly survey for the year 2019 had been implemented.
(ii) Rule 177 & 178	Office equipment required for the Sabha had been purchased based on the price quotation irregularly made by another Sabha.	A formal procurement procedure should be followed by the Shabha.	The purchases were made based on the Technical Evaluation Committee decision.
(iii) Rule 218	Asurvey had not been carried out in relating to land and buildings	Asurvey in relating to lands and buildings should be carried out.	The performance will be presented at the Audit and Management Committee meeting after survey assets.

(c) The Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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| (i) | Public Finance Circular No. 03/2015 of 14 th July 2015 Financial regulation amendment of 371 | 04 advances given for various activities had not been settled since 4 to 10 years of period. | The advances should be settled within 10 days after fulfilment of particular activity. | The steps will be taken to settle the advances, in future. |
| (ii) | F.R .571 | The deposits which were received in 10 instances since 2010 had not been settled. | Lapse deposit should be settled | The actions are taken as per the F.R..571 |

2. Financial Review

2.1 Financial Results

According to the financial statement Presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31st December 2018 amounted to Rs.11,929,746 ,as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.5,666,137.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Collected Revenue and Revenue in arrears

The details of Estimated Revenue, Revenue Billed, Collected Revenue and Revenue in arrears for reviewed year and preceding year are as follows.

Income Source	Estimated Revenue	2018			2017			Total Arrears as at 31 st December
		Revenue Billed	Collected Revenue	Total Arrears as at 31 st December	Estimated Revenue	Revenue Billed	Collected Revenue	
	Rs.	Rs..	Rs.	Rs..	Rs..	Rs.	Rs.	Rs.
(i) Rates and Tax	4,052,000	4,812,161	3,643,817	2,847,123	2,980,000	4,253,428	3,376,362	2,129,228
(ii) Rent	4,973,000	5,232,842	4,691,325	704,552	5,155,000	3,000,268	2,882,981	924,297
(iii) Licence fee	2,695,500	2,409,146	2,469,146	--	2,764,000	1,533,043	1,533,043	--
(iv) Other income	9,909,000	12,063,083	5,487,167	17,944,713	10,708,000	8,872,630	4,900,161	11,406,155
Total	21,629,500	24,577,232	16,291,455	21,496,388	21,607,000	17,659,369	12,692,547	14,459,680

2.2.2 Rates and Tax

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Rates ----- Out of the balance amounted to Rs.1,160,656, a sum of Rs.642,224 had not been recovered at the end of the year under review.	Rates in arrears should be collected.	Actions will be taken to collect the income in arrears by taking legal actions.
(b) Garbage Tax ----- A sum of Rs.865,820 had not been collected, out of the total amount of garbage tax in arrears amounted to Rs.1,470,470 at the end of the year under review	Actions should be taken to collect the garbage tax in arrears.	Actions will be taken to collect arrears and report, while the arrears resulted due to inaccurate billing are written off.
(c) Water Charges ----- Any action had not been taken to collect a sum of Rs.295,160, Out of the opening balance of water charges in arrears amounted to Rs.492,902 and an arrears amounted to Rs.64,795 that should be charged from 23 customers in relating to inventive water scheme.	Action should be taken to collect the water charges and water connection charges in arrears	Actions will be taken to write off the water charges in arrears in relating to inactive water projects.
(d) Three Wheelers' Parking Charges ----- A sum of Rs.951,585 had not been collected, out of the opening balance of Three wheelers' parking charges in the year amounted to Rs.1,220,785.	Actions should be taken to collect the three wheelers' parking charges in arrears.	Actions will be taken to charge the Three wheelers' parking charges in arrears.

2.2.3 Rent

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Shop Rent ----- An income amounted to Rs.62,700 had been lost, since the shop rental had not been amended as per the new valuation taken for 06 stalls situated near by Bank of Ceylon at Hatharaliyadda.	Actions should be taken collect the income in arre arose due to the amendm of shop rental.	The valuation will be taken for 2019.

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| (b) | The receivable rent since 2003 to 2018, amounted to Rs.145,300 of No. 04 stall in upper floor of Galagedara, Madige trade complex had not been collected. | Action should be taken to collect rent in arrears from the shops belongs to Sabha. | There is a problematic situation in relating to collection of arrears income. |
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2.2.4 Court Fine and Stamp Duties

----- Audit Observation

----- Recommendation

----- Comments of the Accounting Officer

The receivable court fines and stamp duties was Rs.1,525,908 and Rs.15,104,370 respectively.

Action should be taken to collect the court fines and stamp duties in arrears.

The source document had already been presented and actions will be taken to send the source documents of stamp duties.

3. Operating Review

3.1 Performance

Following matters were revealed with regard to duties to be fulfill by Sabha as re the Section 3 of Pradeshiya Sabha Act, in relating to regulation and control of all the matters relating to Public health, Public utility services and public highways, comfort, convenience and welfare of the people.

(a) Vacated Affairs

----- Audit Observation

----- Recommendation

----- Comments of the Accounting Officer

- (i) A sum of Rs.2,076,510 was incurred up to the end of the reviewed year, for the project of constructing the shopping complex in front of Sujatha Girls' College which initiated at 2014, and the project had been vacated

Action should be taken not to vacate the affairs of project.

Answers were not provided.

- (ii) The project initiated by incurring Rs.350,000 in 2010 to tile interlock had been vacated from 2014.

Action should be taken to implement the project.

The project was vacated due to the scarcity of interlock production.

(b)	Non Implementation of Functions ----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i)	A sum of Rs.567,293 of interest paid at the end of the year under review in relating to the loans taken from Local Loan Development Fund in 2014 which amounted to Rs.8,000,000 seems to be a loss, since the intended affairs of such loan, that is construction of common market complex in front of Sujatha Girls College at Galagedara and acquire the land belongs to Urban Development Authority had not been implemented.	Action should be taken to utilize the funds for the aimed function of particular loan.	Since a part of loan had been redeemed in the year, actions are taken to complete the project by using remaining balance.
(c)	Solid Waste Management ----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i)	It was observed that the waste collected daily in the Sabha areas was being excluded irregularly to the land called Dikoyawaththe.	Sabha should Follow proper waste management system.	Such waste is used for the gardening in office area by stacking and producing compost after two weeks.
(ii)	According to the action plan, It had been planned to purchase a Compost crusher and compost sieving machine and produce compost for sales such function were not fulfilled.	The compost production process should be Initiated, according to the action plan.	Particular machines could not be provided.
(d)	Environmental Problem ----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
	The non-degradable wastage such as polythene, plastic was being burnt in the garbage yardin bear environment without having any environmental conservation program.	The waste management programs should be implemented so as to minimize environment problems.	A machine will be purchased in future in order to burn waste.

(e) Sustainable Development Goals

Audit Observation-----
The actions had not been taken to achieve Sustainable development goals and targets

Recommendation

Necessary actions should be taken to achieve sustainable development goals and targets.Comments of the
Accounting Officer-----
Action will be taken to present in the Audit and Management committee meeting.

3.2 Management Inefficiencies

Audit Observation-----
(a) 02 water projects executed by Sabha in 2014 had been inactive, when it come to the year under review and the amount of Rs.50,370 receivable by 16 benefited customers had not also been collected.

(b) Although, it was convinced that the water quality in 06 water projects of Sabha was not up to the standard, through Bacteriological testing, it was observed that water was being distributed to the people for consumption without following necessary actions.

(c) Although, Dikoyawatthe site was acquired in 2012 for the payment of Rs.500,000 of lease advance to Land Reform Commission, any action had not been taken to get formal lease agreement

Recommendation

Actions should be taken to collect receivable.

It should be convinced that the water distributed by the water projects of Sabha is up to the satisfactory level.

Action should be taken to acquire the land under a formal lease agreement.

Comments of the
Accounting Officer-----
Answers were not provided.

The report which convinces that unsuitability of water for the consumption had not been received to the Sabha.

It had not been acquired yet.

3.3 Human Resource Management

Audit Observation-----
Employee Vacancies and Surpluses-----
There were 24 vacancies within the approved carder of the Sabha

Recommendation

Action should be taken to fill the vacancies.Comments of the
Accounting Officer-----
About 10 vacancies had been filled by this.

3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting officer
(a) Under 06 water projects of Sabha, water was being distributed to 427 customers without purifying.	The distributing water should be purified.	There is no sufficient financial capacity to obtain the equipment required for purifying water.
(b) No. 02 front stall in first building of Hatharaliyadda trade complex had irregularly been leased out to the member of Sabha who had not even presented a bid.	It should be act transparently, when renting out the stalls	The deficiency was pointed out by Audit is accepted.

3.5 Assets Management

3.5.1 Non Obtain of Income Receivable from Assets

Audit Observation	Recommendation	Comments of the Accounting officer
Previous lease agreement in relating to No. 28 stall in rear of ground floor in second building of Hatharaliyadda trade complex was cancelled on 14 June 2016, and it had not been leased out for 2 years and 04 months thenceforth.	Actions should be taken to lease out the stall again and collect receivable income	Since the ownership had not clearly been transferred to the Sabha as per the Agreement, The requisition had been made to the commissioner of provincial council, to transfer the ownership of such stall.

3.5.2 Idle or Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting officer
(a) Aggregating Rs.611,71907 items of Non - current assets were idle or underutilized during the period of 01 to 18 years.	It should not be allowed to become inactive or underutilize the assets in Sabha.	Actions will be taken to auction them.
(b) A machine purchased for the project of interlock, which valued Rs.124,319, had been disused from 2010 to 2014 end of the year under review.	It should not be allowed to become idle or underutilize the assets in Sabha.	Actions will be taken to auction it.

3.6 Procurement

3.6.1 Annual Procurement Plan

Audit Observation

A Procurement plan had not been prepared for the year under review.

Recommendation

A procurement plan should be prepared.

Comments of the Accounting officer

Answers had not been provided.

3.6.2 Contract Administration

Audit Observation

The advance payment made for the development activities of trade complex in front of Sujatha Girl's college amounting to Rs.883,333 in 2014 had not been recovered until the year under review..

Recommendation

Action should be taken to recover.

Comments of the Accounting officer

Action will be taken to continue the project or end up the agreement.