

Thihagoda Pradeshiya Sabha
Matara District.

1. Financial Statements

1.1 Presentation of financial statements

Financial statements of 2019 had been presented for the audit on 28 February 2020. Auditor General's summary report of such financial statements and detailed management audit report have been sent to the Chairman on 08 June 2020 and 15 June 2020 respectively.

1.2 Qualified Opinion

It is my opinion that financial status of Pradeshiya Sabha of Thihagoda as at 31 December 2019 and financial performance thereof for the year ended by the same day are in compliance with generally accepted accounting principles and shown true and fair status by financial statements except the impact caused by matters described in the part of basis for the qualified opinion in this report.

1.3 Basis for the qualified opinion

(a) Accounting deficiencies

	Audit observation -----	Recommendation -----	Comments by Accounting Officer -----
(i)	Rs.7,856,437 had been less accounted for industries debtors due at the end of the year under review.	It should be accounted accurately.	Actions will be taken to make it correct through journal notes.
(ii)	Allocations had been made less by Rs.8,236,866 for industries creditor that should be paid at the end of the year under review.	It should be accounted accurately.	Actions will be taken to make it correct through journal notes.
(iii)	Sum of Rs.501,090 which had been spent for construction of a garage at Sabha premises in the year under review had not been capitalized .	All fixed assets should be accounted.	This value will be capitalize in preparation final account in 2020.
(iv)	Stock of equipment worth Rs.124,174 purchased for Posana Mandiraya in the year under review had not been accounted.	All fixed assets should be accounted.	This value will be capitalize in preparation final account in 2020.

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| (v) | Library books worth Rs.153,159 purchased in the year under review had not been accounted. | It should be accounted accurately. | This value will be capitalize in preparation final account in 2020. |
| (vi) | No allocation had been made in accounts for audit fees in the year under review. | It should be accounted accurately. | Actions will be taken to make it correct through journal notes. |
| (vii) | Stock of Ayurvedic drugs valued Rs.191,242 received to Sabha as aid in the year under review had not been accounted. | It should be accounted accurately. | Actions will be taken to adjust in future. |

(b) Non - Reconciled accounts

Audit observation

Recommendation

Comments by
Accounting
Officer

Difference of total was Rs.1,530,952 between balance of 04 account subject of total Rs.154,331,529 which are included in financial statements and related documents and schedules thereto.

Actions should be taken to compare differences of balances concerned and correct accounts.

Corrective actions will be taken in final account of 2020.

(c) Unavailability of necessary documentary evidences for the audit

Audit observation

Recommendation

Comments by
Counting
Officer

In the audit it was unable to satisfactorily observe 10 account subjects of which Total Rs.154,520,863 since needy information was not presented.

Evidences by which account balances stated in financial statements are proved should be presented.

Actions will be taken to forward with descriptive schedule in preparation of final account of 2020.

1.4 Non - compliance

1.4.1 Non - compliance with rules, regulations and management decisions

Occasions of Non - compliance to rules, regulations and management decisions are as follows.

Reference to rules, regulations and management decisions	Non - compliance	Recommendation	Comments made by Accounting Officer
(a) Pradeshiya Sabha Rules of 1988 (Financial & Admin.)	Statement of reasons for surplus and deficit by comparing actual expenditure of object codes and budgeted and supplementary expenditure had not been presented along with accounts .	Should act as per rules.	Actions will be taken to correct faults shown .
(i) Rule 193			
(ii) Rule 204	Recommendations had not been carried out regarding excess and deficits pertaining to board of survey in the year 2018.	Should act as per rules.	Actions will be taken to correct faults shown.
(b) Financial Regulations of Republic of Sri Lanka Regulation 571	Actions had not been taken to dispose deposit balance of Rs.2,368,489 due and expired.	Should act as per financial regulations.	Future actions will be taken to settle.
(c) Pub. Admin. Circular No. 30/2016 dated 29 th December 2016. .	No fuel consumption test had been done pertaining to vehicles belonged to Sabha.	Should act as per circulars.	Actions will be taken to correct faults shown.

2. Financial Review

2.1 Financial Result

As per financial statements presented income exceeding recurrent expenditure in the year under review was Rs.5,198,354 and in comparison to it income exceeding recurrent expenditure in the previous year was Rs.2,791,829.

2.2 Income Administration

2.2.1 Estimated income, billed income, collected income and arrears of income

Information of estimated income, billed income, collected income and arrears of income pertaining to year under review and previous year are as follows.

Income source	2019				2018			
	Estimated income	Billed income	Collected income	Total arrears as at 31 st December	Estimated income	Billed income	Collected income	Total arrears as at 31 st December
	Rs.	Rs	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates & taxes	2,347,500	738,024	799,906	210,483	3,180,500	569,715	544,915	272,365
Rentals	3,105,000	2,729,680	2,760,481	205,453	2,710,000	3,023,800	3,024,050	236,254
Permit fees	1,155,900	1,119,327	1,124,837	-	815,800	882,251	901,671	5,510
Other income	26,687,000	19,200,826	4,710,189	31,729,057	17,264,750	12,541,886	13,910,800	17,238,420
Total	33,295,400	23,787,857	9,395,413	32,144,993	23,971,050	17,017,652	18,381,436	17,752,549

2.2.2 Boutique rentals

Audit observation	Recommendation	Comments by Accounting Officer
Initial arrears was Rs.223,254 and Rs.1,290,604 was to be recovered with Rs.1,067,350 being billings of the year. Since total recoveries within the year was Rs.1,098,152 minus balance was Rs.192,452 at the end of the year under review .	Arrears of income should be recovered soon.	Balance of arrears of boutique rentals are being recovered in installments at the present and legal actions have also been taken in that regard.

2.2.3 Water charges

Audit observation	Recommendation	Comments by Accounting Officer
Initial balance of arrears was Rs.258,010 and Rs.595,472 was to be recovered with Rs.337,462 being billings of the year. Since total recoveries within the year was Rs.399,642 minus balance was Rs.195,830 at the end of the year.	Arrears of income should be recovered soon.	Actions will be taken to recover arrears through a mobile recovering methodology.

2.2.4 Other Income

Court fines and stamp fees

Audit observation	Recommendation	Comments by Accounting Officer
Sum of Rs.983,001 being court fines and Rs.30,666,828 being stamp fee were to be received from Chief Secretary and other authorities of Provincial council.	Arrears of income should be recovered soon.	Written requests have been sent to office of Chief Secretary demanding these court fines and stamp fee.

3. Operating Review

3.1 Performance

As per section 3 of Pradeshiya Sabha Act, the Sabha was expected to perform duties such as regularizing and control of public health, public utilities services and matters pertaining to public roads, well being of people, convenience and welfare. Matters revealed pertaining to performance of such functions are as follows.

Audit observation	Recommendation	Comments by Accounting Officer
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Although as per section 3 of Pradeshiya Sabha Act, the Sabha was expected to perform duties such as regularizing and control of public health, public utilities services and matters pertaining to public roads, well being of people, convenience and welfare, Sabha had not prepared long term plans for the improvement of living standard and health of people living within the Sabha area through global indexes aimed at sustainable development goals and targets in the agenda for sustainable development 2030.	Programs should be planned and carried out to achieve sustainable development goals and targets.	Sabha has already prepared a plan to improve living standard and health of people living within the Sabha.

3.2 Management inefficiencies

Audit observation	Recommendation	Comments by Accounting Officer
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Although area of Thihagoda Pradeshiya Sabha has been declared as developed area by Gazette No.1824 dated 16 th August 2013 and area of 4.12 km has been introduced as areas of recovering assessment by Gazette No. 2009 dated 03 rd March 2017, actions had not been taken to assess property in such areas and recover rates.	Actions should be taken to assess all properties and recover rates.	Actions will be taken to finalize valuation affairs.

3.3 Human Resources Management

Audit observation	Recommendation	Comments by Accounting Officer
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(i) Actions had not been taken to fill 06 vacancies and regularize 04 excessive posts.	Vacancies should be filled and excessive posts be regularized.	Future actions will be taken to complete.
(ii) 03 Work Field Labourers and 04 Health Labourers had been assigned duties beyond their required duties.	Duties required should be assigned.	Such assignment of duties has been done by the Head of Institution based on Sabha decision and service requirement.

3.4 Operating inefficiencies

Audit observation	Recommendation	Comments by Accounting Officer
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(a) No attention had been paid towards environmental impact occurred by 12 firms who had not obtained environment permits for the year under review and Rs.52,800 had not been recovered as fees.	Actions should be taken to issue environment protection permits.	Actions will be taken to make a field inspection and recover arrears of income accordingly.
(b) A survey had not been done regarding display of notice boards as per provisions of the Gazette No. 2103 dated 21 st December 2018 and fee of Rs.488,025 had not been recovered from 84 notice boards displayed within the Sabha area.	Should act as per the Gazette.	Actions will be taken to recover due fees in the year 2020.

3.5 Assets Management

3.5.1 Non vested assets.

Audit observation	Recommendation	Comments by Accounting Officer
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21 lands containing in extent 05 acre 03 roods 32.36 perches which are used by Sabha had not been taken over to the Sabha.	Actions should be taken to take over to the Sabha.	Necessary actions will be taken together with Divisional Secretariat.

3.5.2 Non receipt of due income from assets

Audit observation	Recommendation	Comments by Accounting Officer
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Actions had not been taken to earn income from 04 Sabha lands containing in extent 01 acre 01 rood 11.34 perches.	Actions should be taken to collect income.	Corrective actions will be taken in future .

3.5.3 Idle and less under utilized assets

Audit observation	Recommendation	Comments by Accounting Officer
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(i) Crew cab and tractor which had been disposed from use were kept parked at the Sabha land without taking actions to repair.	Actions should be taken for repair.	Corrective actions will be taken in future.

3.6 Procurement

Audit observation	Recommendation	Comments by Accounting Officer
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Although Rs.2,347,598 had been spent for supplies and services in the year under review Sabha had not prepared a plan of procurement.	Procurement plan should be prepared.	Corrective actions will be taken in future

3.7 Contract control

Audit observation -----	Recommendation -----	Comments by Accounting Officer -----
Although unit prices approved by Provincial Road Development Authority should have been used for road works as per financial circular No. 3/2014 dated 15 th October 2014 issued by Southern Provincial Chief Secretary, Rs.169,058 had been over paid due to use of prices of Provincial Director of Buildings in road development.	Should act as per the circular.	Necessary actions are being taken to deduct over payments which have been made in refunding retentions of all these industries.

4. Accountability and good governance

4.1 Internal audit

Audit observation -----	Recommendation -----	Comments by Accounting Officer -----
Sufficient internal audit had not been done for the year under review.	Sufficient internal audit should be done.	Corrective actions will be taken in future.