

Yatyanthota Pradeshiya Sabha
Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 31 March 2014 and the financial statements for the preceding year had been presented on 28 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 24 September 2014.

1.2 Opinion

In my opinion except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, the financial statements have been prepared in accordance with Sri Lanka Public Sector Accounting Standards and give a true and fair view of the state of affairs of the Yatyanthota Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

The following statements which should be submitted with the set of financial statements in terms of Paragraph 21 of Sri Lanka Public Sector Accounting Standard No.01 had not been presented,

- (i.) Cash Flow Statement
- (ii.) Statement of Change of Equity
- (iii.) Reconciliation Statement of Budgeted Figures and Actual Figures

1.3.2 Accounting Deficiencies

The following observations are made.

- (a.) Journal Entries relating to account the balances of assets and liabilities as at end of the preceding year as the opening balances of the year under review had not been submitted. The debit and credit entries relating to the adjustment of accounts had been incomplete in certain instances and the narrations of a few Journal Entries had also been incomplete.
- (b.) Action had not been taken to identify and settle the difference of Rs.4,006,500 as at 31 December 2013 between the assets account and the revenue contribution to capital outlay account.
- (c.) Ten items valued at Rs.104,150 which should be accounted under Motor vehicles and carts account had been included in the machinery and equipment account.
- (d.) 13 buildings valued at Rs.910,800 which are not physically exist according to the Board of Survey Report as at 31 December of the year under review had been included in the financial statements.
- (e.) The balance of the employees loan account s at end of the preceding year amounted to Rs.3,413,892 whereas it had been brought forward at the beginning of the year

under review as Rs.4,092,914. Therefore, employees loan account had been overstated by Rs.679,022.

- (f.) According to the balance sheet as at 31 December of the year under review, there was a difference of Rs.380,303 between the assets and liabilities. As such, the value of net assets had been overstated than the capital outlay by a similar amount.
- (g.) A sum of Rs.59,119 payable to a private media institution as at 31 December of the year under review had not been brought to account.

1.3.3 Unreconciled Control Accounts

The total of the balances of 09 items of account amounted to Rs.134,548,837 as per relevant control accounts/ subsidiary registers/ reports and according to the financial statements the total of the balances amounted to Rs.164,750,087 indicating a difference of Rs.30,434,006.

1.3.4 Non-compliance with Laws, Rules and Regulations

Non-compliance with the following laws, rules, regulations and management decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations and Management Decisions</u>	<u>Non-compliance</u>
(a.) Circular No.3/2012 dated 29 May 2012 of the Commissioner of Local Government- Sabaragamuwa	- Although 10% of each land should be acquired by the Sabha from 06 lands over 01 Hectare, the total extent was 20 1/2 Acres sold by public auction, this requirement had not been fulfilled.
(b.) Section 158(1)(a) of the Pradeshiya Sabha Act No.15 of 1987	- Action had not been taken according to the Act in respect of 15 lessees defaulted in payment of rates and taxes amounting to Rs.201,598 for over a long period.

2. 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 2013 amounted to Rs.1,499, 218 as compared with the excess of revenue over recurrent expenditure amounting to Rs.1,257,385 for the preceding year.

2.2 Analytical Financial Review

The financial results of the year under review indicates an improvement of Rs.241,833 as compared with the preceding year, and the decrease of salaries and allowances included in the recurrent expenditure by Rs.1,250,561 had been the main reason for this.

2.3 Operating Inefficiencies

A sum of Rs.262,142 had been paid to the Kirikohuthenna Minor Farmers' Organization on 05 August 2011 for the construction of the restaurant of the Development of Tourism Facilities Project at Belilena. However, the work had not been completed by 17 October 2013; the date of audit examination and the said advance also had not been settled. This

Organization should have been black listed under these circumstances. Nevertheless, without action being taken accordingly, construction contracts had been awarded to them continuously.

3.2 Idle/Underutilized Assets

Six vehicles owned by the Sabha had been parked idle without using them. Action had not been taken to repair them and put to use or to take any other appropriate action.

3.3 Internal Audit

An adequate internal audit had not been carried out in respect of finance and stores in terms of Rule 5(7) of the Pradeshiya Sabha (Financial and Administrative) Rules-1988.

3. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management
- (d.) Control over Vehicles