

Yatawaththa Pradeshiya Sabha

Matale District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 26 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary to the Sabha on 03 July 2015.

1.2 Opinion

I am of opinion that except for the effect on the financial statements of the matters referred to in paragraph 1.3 of this report, that the financial statements had been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of Yatawaththa Pradeshiya Sabha as at 31 December 2014 and financial results of its operation for the year then ended and cash flows.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies were observed in audit.

- (a) The total of 09 items of revenue and expenditure amounting to Rs.10,063,304 had been understated in the accounts.

- (b) The expenditure incurred under the Palath Neguma Project amounting to Rs.1,279,176 for construction of the Clock Tower had not been capitalized. Due to that, Assets balance and the balance of the Contribution from Revenue to Capital Outlay Account had been understated to the extent of that value.
- (c) Expenditure incurred mounting to Rs. 1,085,814 for construction of the Sabha Hall and the expenditure incurred amounting to Rs. 1,071,145 for construction of the Walpola Cemetery had not been capitalized.
- (d) Value of 196 Galvanized Pipes amounting to Rs. 216,999 provided to the Sabha through the Ministry of Local Government and Provincial Councils had not been accounted.

1.3.2 Non-reconciled Control Accounts

A difference of Rs. 1,000,000 was observed between the Advance Account balance shown in the financial statements and the balance shown in the subsidiary register.

1.3.3 Accounts Receivable and Payable

While the value of 05 Accounts Receivable balances as at the end of the year under review amounted to Rs.4,019,996, balances amounting to Rs.196,173 that had elapsed more than 03 years were included therein.

1.3.4 Accounts Payable

While the value of 04 Creditors balances payable as at the end of the year under review amounted to Rs.18,133,612, balances amounting to Rs.57,960 that had elapsed more than 03 years were included therein.

1.3.5 Lack of Evidence for Audit

Transactions totalling Rs.619,345 relevant to 4 items of accounts could not be satisfactorily vouched in audit, due to non-submission of required information to audit.

1.3.6 Transaction not corroborated with Adequate Authority

Allowances amounting to Rs. 220,000 had been paid out of the Sabha Fund to a retired officer engaged on contact basis for post of Technical Officer during the year under review, without a formal letter of appointment received from the Secretary to the Public Service Commission.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2014 amounted to Rs.4,111,150 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.5,494,207. When compared with the preceding year, a decline of Rs.1,383,057 was shown in the financial results for the year under review.

2.2 Analytical Financial Review

Some important information relating to financial position and financial performance of the Pradeshiya Sabah during the year under review and the preceding 02 years period is shown below.

- (a) When surplus of the financial results is taken as a percentage of operational revenue, a continuous decline in that percentage was indicated.
- (b) While the total expenditure is taken as a percentage of the revenue, a continuous upward trend was indicated. It was observed as an unsatisfactory situation with regard to the financial control.

2.3 Revenue Administration

2.3.1 Acreage Tax

A sum of Rs. 88,298 being an amount calculated on erroneous basis had been included in the Balance of Acreage Tax in arrears amounting to Rs. 140,790.

2.3.2 License fees

Arrears of License Fees balance which was being brought forward unchanged since a period prior to 2004 was Rs. 35,060.

2.3.3 Other Revenue

A balance of Water Charges totaling Rs. 110,055 and a balance of Scavenge Charges totalling Rs. 25,300 was in arrears as at the end of the year under review.

2.3.4 Court Fines and Stamp Fees

A sum of Rs. 843,785 on account of Court Fines and a sum of 1,356,070 on account of Stamp Fees were due to be recovered as at 31 December of the year

under review, from the Chief Secretary of the Provincial Council and other authorities.

2.4 Surcharges

A sum of Rs. 32,259 relevant to surcharges imposed during the prior years in terms of provisions in section 172(3) of the Pradeshiya Sabha Act No. 15 of 1987 was due to be recovered.

3. Operating Review

3.1 Performance Evaluation

Although the Construction of a Crematorium, Improvement of Water schemes, Construction of a Play Ground and a Stadium and Constructions of a Pre-school had been the main objectives according to the Budget Policy Statement relevant to the year under review, any of those Projects had not been commenced.

3.2 Management Inefficiencies

Although without complying with provisions in sections 17(I),(II) and (III) to the Pradeshiya Sabha Act No 15 of 1987, the Divi Neguma Community oriented Bank and the Community oriented Bank Societies are carried on, having constructed buildings through the Divi Neguma Department, in the land belong to the Sabha and where Walawela village Council Building is situated, any course of action had not been taken by the Pradeshiya Sabha in connection with that matter.

3.3 Operational Inefficiencies

Following matters were observed.

- (a.) Out of the 262 applications received for approval of building plans in terms of Section 21 of the Urban Development Authority Act No. 41 of 1978 during the year under review and preceding year, 179 applications had been approved. However, out of those, Certificates of Conformity had been issued only for 08 applications.

- (b.) Although 07 Environmental Licenses issued had lapsed, a follow up had not been made with regard to that, while action too had not been issue Licenses with regard to 44 Institutions liable to obtain Environment Protection Licenses.

- (c.) A survey had not been carried out with regard Land and Buildings of the Sabha after the year 1987.

3.4 Idle/Under-utilized Assets

While Two Tractor Trailers costing Rs. 413,000, a Tipper vehicle valued at Rs. 3,450,574 had not been made use for any purpose, the Isuzu Lorry valued at Rs. 1,200,000, in running condition had not been utilized for any specific purpose and had been parked in the Sabha Ground during a period of about two years.

3.5 Improper Transactions

- (a) Two employees had been engaged in service and salaries and allowances amounting to Rs. 340,434 had been paid without obtaining the approval from the Commissioner of Local Government in terms of Section 19 (i) (i) of the Pradeshiya Sabha Act No. 15 of 1987.

- (b) Although authority had not been delegated by the Secretary in terms of Section 159 (i) of the Pradeshiya Sabha Act No. 15 of 1987, revenue amounting to Rs. 458,756 had been collected by the Revenue Inspector during the year under review.

- (c) Although there was no residential telephone in the name of the Secretary, a sum of Rs.10,620 as Telephone Allowance and an allowance of Rs. 28,500 for a mobile phone for which bills not produced had been paid contrary to the provisions in the Circular No.04/2013 dated 27 May 2013 of the Commissioner of Local Government.

3.6 Identified Losses

Fines amounting to Rs.36,500 had to be paid out of the Sabha Fund for not obtaining the revenue for 05 vehicles belong to the Sabha for the past 07 years.

3.7 Solid Waste Management

Although a building had been constructed having spent a sum of Rs. 659,062 out of funds from the Provincial Criteria Based Grants and Sabha Funds up to the year 2012, it had not been utilized for wastes management process. A system of collecting garbage in a small part of the area of authority and burning the non- decaying material without a shed had been followed causing a harmful situation to the environment. Pradeshiya Sabha had not resorted to a proper system of solid waste management.

4. Accountability and Good Governance

4.1 Internal Audit

A system of Internal Audit had not been conducted in terms of Rule 5 (7) of the Pradeshiya Sabha (Financial and Administrative) Rues Series of 1988.

4.2 Audit and Management Committees

Steps had not been taken to establish Audit and Management Committees in terms of the letter No. CPC/CLG/1/9/1/4 dated 08 August 2014 of the Commissioner of Local Government.

4.3 Budgetary Control

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- (a) While any revenue had not been earned from estimated revenue amounting to Rs.2,568,000 relating to 06 Items of Revenue, there were variations in a range of 15 to 89 per cent between the estimated and actual revenue of another 14 Items of Revenue.
 - (b) While the entire provision of Rs. 4,835,000 made available for 29 Items of Expenditure had been saved, there were variations in a range of 1 to 67 per cent between the net provision and actual expenditure in another 25 Items of Expenditure.
 - (c) Even after making amendments to the budget during the year under review, material differences were observed between the budgeted and actual revenue and expenditure as per particulars given below. Accordingly it was observed that, the Budget had not been made use of as an effective tool of management

5. Systems and Controls

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Special attention of the Sabah is needed in the following areas of controls.

- (a.) Accounting
- (b.) Budgetary controls
- (c.) Assets Management
- (d.) Debtors and Creditors Control
- (e.) Contracts Control
- (f.) Human Resources Management