

Yatinuwara Pradeshiya Sabha

Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 27 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 27 July 2015.

1.2 Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Yatinuwara Pradeshiya Sabha as at 31 December 2014 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

Following accounting deficiencies are observed.

- (a) Value of 520 Galvanized Pipes (GI) amounting to Rs.575,716 received during December 2014 from the Ministry of Local Government and Provincial Councils had not been accounted.
- (b) Value of drugs amounting to Rs.50,000 received during the year under review from the Department of Ayurvedha had not been accounted.
- (c) Provision for Audit Fees for the year under review had not been made in the accounts.
- (d) When purchasing stores such as electrical, water, general etc., the total expenditure had been written against the revenue without following the system of advance accounts. Due to that, stores material existed as at 31 December 2014 valued at Rs.1,690,640 had not been shown under current assets.
- (e) Stamp Fees amounting to Rs.2,671,034 relevant to the preceding year received during the year under review had been accounted as revenue for the year under review.

- (f) Lands and 25 Buildings valued at Rs.6,764,710 and Lands and 33 Buildings belong to the Sabha, value of which not assessed had been omitted in the accounts.
- (g) Out of Furniture and Fittings valued at Rs.4,262,844 purchased during the preceding year for the new building, only a sum of Rs.1,450,875 had been taken to accounts and therefore Furniture and Fittings valued at Rs.2,811,969 had been omitted in the accounts.
- (h) Three Motor Vehicles valued at Rs.772,932 of which ownership had not been transferred and a Cab Vehicle bearing No.53-4744 value of which not identified had not been disclosed by way of notes to accounts.

1.3.2 Non-reconciled Control Accounts

While the total of balance relevant to 03 items of accounts according to accounts was Rs.48,279,817 the total of those balances according to schedules, had been Rs.50,897,681 and therefore a non-reconciliation in a sum of Rs.2,617,864 was observed.

1.3.3 Accounts Receivable

While total of Accounts Receivable as at 31 December 2014 of the year under review according to the financial statements presented was Rs.118,225,067, out of that total value of balances which had exceeded more than a period of one year had been Rs.8,253,434.

1.3.4 Accounts Payable

While total of Accounts Payable balances as at 31 December 2014 of the year under review according to the financial statements presented was Rs.100,439,310, out of that total value of balances which had exceeded more than a period of one year had been Rs.5,940,310.

1.3.5 Lack of Evidence for Audit

Transactions totaling to a value of Rs.30,429,795 could not be satisfactorily vouched in audit due to non-remission of required information relevant to six Items of Accounts.

1.3.6 Non-compliance with Laws, Rules and Regulations etc.

Contrary to Sections 177 and 178 at the Pradeshiya Sabha (Financial and Administrative Rules Series of 1988), 86 Construction Works valued at Rs.24,552,057 had been assigned to Community Based Organizations without calling for tenders.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs.34,721,435 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.36,619,226. Accordingly, a decline in a sum of Rs.1,897,791 was observed in the financial results.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Summarized information as furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review are shown below.

Item of Revenue	Arrears as at 01.01.2014	Revenue billed during the year	Revenue Collected out of arrears as at 01.01.2014	Revenue Collected out of billing 2014	Amount not collected out of arrears 01.01.2014	Amount not collected out of billing 2014	Total to be collected
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	'000	'000	'000	'000	'000	'000	'000
Rates and Taxes	5,224,410	3,728,383	1,785,184	3,120,109	3,439,226	608,274	4,047,500
Water Charges	212,457	1,051,885	162,563	831,832	49,894	220,053	269,947
Acreage Tax 50,660	45,780,	9,560	700	3,980	45,080	5,580	
License Fees 11,145	11,145	1,611,916	--	1,611,916		11,145	--
Stalls Rent 35,000	43,450	617,850	43,450	582,850		--	35,000
Court Fines 107,470	728,873	760,755	808,073	574,085		(79,200)	186,670
Stamp Fees 27,875,336	4,535,746	38,880,310	9,444,680	6,096,040	(4,908,934)		32,784,270

A total revenue of Rs.32,397,058 was in arrears as at 31 December of the year under review.

2.2.2 Rates

Following matters are observed.

- (a) Although Rates should be assessed once in 05 years and charges should be levied accordingly, Rates had been recovered on the basis of values assessed during the year 2006.
- (b) While Rates in arrears as at 31 December of the year under review amounted to Rs.4,047,510, Rates in arrears during a period between 01 year and 10 years amounting to Rs.3,439,225 were included in that value. Action in terms of Section 158 of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken with regard to defaulting lessees in payment of Rates.
- (c) A proper procedure had not been followed to recover Rates amounting to Rs.618,200 which had remained unrecovered for a period between 02 and 10 years, and due from 90 properties belong to the Government Agricultural Department and the Railway Department.

2.2.3 Transmission Tower Charges

- i. While 03 transmission towers had been erected without obtaining approval of the Sabha, action had not been taken to levy charges at the rate of Rs.10,000 per each 05 meter height, as per Special Gazette Notification No. 1597/8 dated 17 April 2009 of the Urban Development Authority.
- ii. Although annual Business Tax should be recovered from the firms supplied with communication facilities from 12 transmission towers, annual Business Tax had not been recovered from those firms except 03 firms, while certificates of conformity too had not been obtained for construction of those towers.

2.2.4 Water Charges

While Water Charges in arrears as at the end of the year under review amounted to Rs.269,947, out of these charges in arrears amounting to Rs.38,038 had been relevant to 14 consumers had been outstanding for a period exceeding one year. Out of this balance, a sum of Rs.18,267 was due to be recovered further as at 30 Jun 2015.

2.2.5 Advertisements Boards Charges

Although directions had been enforced by the Yatinuwarra Pradeshiya Sabha according to the Gazette Notification No. 1893 of the Republic of Sri Lanka dated 12 December 2014 that charges should be levied for advertisements boards erected in the area of authority of the Sabha, action had not been taken to recover charges amounting to Rs.915,000 from 29 advertisements boards erected in the area of authority of the Sabha.

2.2.6 Court Fines and Stamp Fees

Court Fines amounting to Rs.107,470 and Stamp Fees amounting to Rs.27,875,336 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014. However, Court Fines amounting to Rs.79,200 and Stamp Fees amounting to Rs.4,908,934 received in excess of the amount billed during past years had been shown deducted from the amount billed for the year under review. Due to that, the balance shown in the accounts as at 31 December had been incorrect.

2.2.7 Environmental Permits Charges

Twenty Industrial Entitites had carried on businesses without obtaining permits according to the Extra Ordinary Gazette Notification No. 1533/16 dated 25 January 2008 of the Ministry of Environment published in terms of regulations imposed under the National Environment Act No. 47 of 1980 as amended by Act No. 56 of 1988 and Act No. 53 of 2000. Due to that, it had not been possible to earn License Fees Revenue amounting to Rs.146,600.

2.2.8 Other Revenue

Seventeen Residential and Business Places which obtained approval for building plans had been occupied without obtaining the Certificates of Conformity. Due to that, a sum of Rs.970,500 had not been recovered as at 31 December of year under review as fines from those occupants, according to the conditions published in the Gazette Notification No. 1597/8 dated 17 April 2009 of the Urban Development Authority.

3. Operating Review

3.1 Management Inefficiencies

Acton had not been taken to recover a sum of Rs.3,455,392 remained outstanding relevant to 02 items of accounts since a period of 05 years.

3.2 Operational Inefficiencies

Following matters are observe

- (a) Two bank balances in current accounts totaling Rs.329,137 maintained in the Bank of Ceylon by the Sabha had been dormant.
- (b) While it was observed that there had been a cash balance exceeding Rs.30 million in very month throughout the year in the current account of the Sabha, reasons for keeping such a large sum without being invested in such manner where maximum benefit could be obtained were not clarified to audit.
- (c) Action had not been taken to recover loan balances amounting to Rs.289,841 which were being brought forward over a number of years, due from three officers who had retired and left the Sabha service.
- (d) Action had not been taken to refund after checking the entitlement or to take other suitable steps with regard to security deposits amounting to Rs.23,398 of 07 officers who had left on transfers and retired.
- (e) While any course of action had not been taken with regard to 42 unauthorized constructions in the area of authority of the Sabha, when it was examined as a sample, fines amounting to Rs.100,930 relevant to 05 instances had not been recovered.

3.3 Idle and under-utilized Assets

Following matters are observed.

- (a) While 85 units of stores equipment valued at Rs.36,375 remained un-utilized over a long period, suitable action had not been taken with regard to disposal of those items.
- (b) While 230 units of office equipment and furniture equipment values of which not identified had remained un-utilized over a long period, action had not been taken either to auction or for disposal of those items.

4. Accountability and Good Governance

4.1 Internal Audit

An adequate internal audit had not been carried out in the Sabha during the year under review. Although the reports relating to inspections carried out by the Inspecting Officers of the Local Government Department had been issued, internal control systems required had not been introduced and implemented.

4.2 Budgetary Control

It was observed according to the budget prepared for the year under review, that the budget had not been made use of as an effective tool of management as there were variations from 25 per cent to 100 percent in 06 items of revenue and variations from 74 per cent to 100 per cent in 04 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

5. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Assets Management