

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 30 March 2016 while Financial Statements relating to the preceding year had been submitted on 31 March 2015 and the Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 03 August 2016.

1.2 Qualified 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 2015 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 deficiencies were observed.

- (a) Equipment purchased during the year under review for Rs. 1,427,170 had not been accounted under fixed assets.
- (b) Six vehicles given by the Ministry of Local Government and Provincial Council in the year 2014 amounting to Rs. 35,964,560 and the mini tractor given by the Department of Agrarian Services in the year 2001 amounting to Rs. 265,000 as donations had been accounted as Motor Vehicle and Carts, though that amount should be disclosed in notes to the accounts due to the non-transferring of the ownership to the Sabha.
- (c) Interest Income of Rs. 541,668 with relating to 04 fixed deposits in the year under review had not been accounted.
- (d) A sum of Rs. 1,221,754 payable as at the end of the year with relating to 04 projects implemented during the year under review had been duplicated under creditors.

1.3.2 Non-reconciled Control Accounts

The value of Library books as at the end of the year under review was Rs. 3,213,145 as per the financial statements whereas that amount was Rs. 4,578,383 as per the board of survey report, hence the un-reconciliation of Rs. 1,365,238 was observed.

1.3.3 Accounts Receivable

While the value of 07 Accounts Receivable balances was Rs. 78,972,303, out of that account balances aggregating Rs. 497,472 had been outstanding over 05 years and account balances that had been outstanding over 01 year to 05 years were Rs. 32,261,048.

1.3.4 Accounts Payable

While the value of 02 Creditor balances as at the end of the year under review was Rs. 59,783,532, out of that account balances aggregating Rs. 853,122 had been outstanding over 05 years and account balances that had been outstanding over 01 year to 05 years were Rs. 28,456,793.

1.3.5 Lack of Evidence for Audit

Two Items of Accounts valued at Rs. 83,042,963 could not be satisfactorily vouched in audit due to non- rendition of information required in audit.

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

Actions had not been taken to conduct annual examination of all lands and buildings In terms of No. 218 of Pradeshiya Sabha (Financial and Administrative) Rule Code of 1988.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2015 amounted to Rs. 39,295,516 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 34,721,435. Accordingly, an improvement in a sum of Rs. 4,574,081 was observed in the financial results.

2.2 Analytical Financial Review

Some significant ratios with regarding the financial position and financial performance of Pradeshiya Sabha were shown below.

- (a) The excess of financial result of the year under review and the previous 02 years as a percentage of the operating income, that percentage is shown a deterioration.
- (b) A continuous decrease was shown in the balance of cumulative fund in the year under review and previous year.
- (c) A decline of Rs. 36,538,530 was observed in audit that and overall deficit of the year under review as compared with the overall surplus of the previous year, and decrease in 03 revenue items and increase in 04 expenditure items in the year 2015 had been the main reason for this decline.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

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

Item of Revenue	Arrears as at 01.01.2015	Billings for the year 2015	Receipt of 2015		Arrears as at 31.12.2015
			Receipt from Arrears	Receipt from Billings for 2015	
	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	4,098,159	3,879,496	1,271,455	2,873,898	3,832,302
Lease Rent	35,000	596,750	35,000	596,750	--
License Fees	11,145	1,831,210	--	1,831,210	11,145
Other Revenue	28,252,753	39,810,026	19,511,933	2,175,801	46,375,045
Total					50,218,492

The total revenue balance of Rs. 50,218,492 was in arrears as at 31 December of the year under review.

2.3.2 Rates

Following matters were observed.

- Although, Rates should be assessed once in 05 years, Rates for the year under review had been recovered base on the assessment of the year 2006 as well.
- While there was a balance of arrears amounting to Rs. 3,776,012 as at 31 December year under review, out of these balances, the Rates in arrears which had exceeded more than a year were Rs. 2,776,149. Out of the sum of Rs. 3,478,195 billing for the year under review, only 54 per cent had been recovered. Actions in terms of Section 158(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken in respect of Rates defaulters.
- The arears Rates remained for more than 07 years without receiving from Government Departments and Boards were Rs. 706,037.

2.3.3 Lease Rent

According to the budget estimate 2015, a sun of Rs. 6,050,000 had been estimated as Lease rent, and out of them, a sum of Rs. 596,750 had only been recovered during the year under review. This was almost 10 percent as a percentage.

2.3.4 License Fees

Following matters were observed.

- Though the license income should be billed according to the survey report prepared after conducting surveys in every year on businesses in the area of authority of the Sabha, license income had been collected as per the license registers due the report prepared by the revenue inspector was incomplete. Though the revenue had been collected from 1256 businesses as per the license register, 485 businesses were identified in accordance with the survey report.

- (b) The arrears balance of trade license fees as at 31 December 2015 was Rs. 11,145 and though this balance was continuing from the year 2011, actions had not been taken to recover the arrears amount.
- (c) Environment Protection License had not been issued to 68 business units as Specific Projects published in Extra Ordinary Gazette Notification No. 1533/16 dated 25 January 2008, under the regulations of the National Environmental Act No. 47 of 1980 amended from acts No. 56 of 1988 and No. 53 of 2000 and there by the Sabha had lost a revenue of Rs. 474,500

2.3.5 Other Revenue

(a) Acreage Tax

The acreage tax arrears as at 31 December year under review was Rs. 56,290 and out of them a sum of Rs. 50,510 or 89 per cent of the total arrears had been remained outstanding for more than one year

(b) Water Charges

The arrears water charge as at the end of the year under review was Rs. 213,252 and out of that, a sum of Rs. 13,612 with relating to 08 consumers was arrears income over one year. Water Charges had continuously been outstanding due to the Sabha had not taken actions as per the paragraph 03 of the agreement entered into between two parties, when supplying water services.

2.3.6 Court Fines and Stamp Fees

Court Fines amounting to Rs. 436,083 and Stamp Fees amounting to Rs. 45,725,710 were receivable as at 31 December 2015. The Secretary had informed me on 05 July 2016 that, out of all Court Fine and Stamp Fees a sum of Rs. 12,544,895 had been received.

3. Operating Review

3.1 Management Inefficiencies

Though the sundry debtors balance was included 03 items for Rs. 506,372 which was continuing from number of years, actions had not been taken to recover or any to take necessary measures on those balances.

3.2 Operational Inefficiencies

Following matters were observed.

- (a) The stall No.01 of the ground floor in Pradeshiya Sabha old building had been given on lease to a person nearly in 1981. Rent was not recovered from the said stall in many years and it was observed that, the lessee is not comply as per the agreement. Sabha had not maintained the files in enabling to take legal opinion in this regard.

- (b) Proper measures had not been followed by the Sabha with relating to 99 unauthorized constructions in the area of authority of the Sabha in the year under review and previous years.
- (c) Two transmission towers had been constructed without a written approval by Sri Lanka Telekom limited in Sooriyagoda and Amunupura areas before the year 2013. Actions had not been taken to get relevant legal steps with regarding these unauthorized constructions.
- (d) Presently, 47 cases had been trail in the court with regarding the matters of the Sabha, and a sum of Rs. 960,250 had been paid to 04 lawyers in the years 2014 and 2015 appeared in this regard. Thirty five out of 47 cases had been remained for more than one year.

3.3 Contract Administration.

3.3.1 Development of Pilapitiya Karudugaspitiya Road - Rs.500,000

Following matters were revealed in the physical inspection made on this contract on 22 January 2016.

- (a) Though the supporting wall constructed under work item No. 07 should be used 6"X9" sized rubble, the wall had been constructed by using large size rubble such as 6"X14", 8"X12".
- (b) Though protection wall should be constructed by using 1:5 cement sand mixture, the construction had been done with low graded cement mixture that could be easily breakable from hands.
- (c) Part of the wall at the beginning of the road had been constructed and the balance part had been constructed again away from 30 meters. The toilet system of the neighboring house beside the road way had been constructed adjoining to the part of the road and there by the road could not be used. Therefore, the money spent could not be utilized properly.

3.3.2 Construction of Culvert by filling Soil in the Road from Dehideniya to Ihalagodalla – Rs. 400,000

Following matters were revealed in the physical inspection made on this contract on 22 January 2016.

- (a) As per the work item No. 03 of the estimate, though construction of the bottom layer of the drain should be with 4 inches thickness, thickness of 2 inches had been observed when breaking the bottom layer in the inspection carried out. Over payment of Rs. 18,821 had been made for this.
- (b) Though protection wall should be constructed by using 1:5 cement sand mixture, the construction had been done with low graded cement mixture that could be easily breakable from hands.
- (c) Though the supporting wall constructed under work item No. 07 had been constructed by using larger size rubble than the size of 6"X9"

3.3.3 Development of Pragathi Mandeeraya - Rs.490,000

Following matters were observed

- (a) Though the approval of the Pradeshiya Sabha should be obtained with the preparation of necessary plans and before it to be constructed, it was observed in physical inspection carried out on 22 January 2016 that, the building has been constructed without preparing such plans.
- (b) Though the development license should be obtained for the construction of building in terms of the Urban Development Authority Act No. 41 of 1978, actions had not been taken accordingly and certificate of street lines had also not been obtained.
- (c) It was observed that the land on which the above building was constructed, was belonging to a temple.
- (d) According to paragraph No. 06 of the feasibility report relating to the project, though it was mentioned that non-availability of common meeting hall as present status of the project proposal, it was observed that the feasibility report consisting with incorrect information as the part of the two story building of Peradeniya Pragathi Association had been leased out for commercial purpose.

3.3.4 Delay in Contract Implementation

Actions had not been taken to implement 50 Projects that planned to implement during the year under review, and made allocations aggregating Rs. 15,831,263.

4. Accountability and Good Governance

4.1 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 30 per cent to 90 per cent in 02 items of revenue and variations from 16 per cent to 79 per cent in 06 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

4.2 Assets Management

Idle / Under-utilized Assets

Crew cab valued at Rs. 1,200,000 was kept under-utilized, double cab, 04 tractors and 03 trailers amount aggregating Rs. 5,672,300 had been kept idle.

5. Systems and Controls

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

- (a) Revenue Administration
- (b) Debtors and Creditors Control
- (c) Assets Management
- (d) Contract Control