

**Yatawaththa Pradeshiya Sabha**  
**Matale District**

**1 Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 21 March 2016 and the financial statements for the preceding year had been presented on 31 March 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 03 June 2016.

**1.2 Opinion**

In my opinion, except for the effects of the matters shown in paragraphs 1.3 of this report, the financial statements give a true and fair view of the financial position of the Yatawaththa 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**

The following matters are observed.

- (a) The one per cent tax of Rs.736,000 recovered from sale of land in 2015 had not been credited to revenue. Instead, this had been retained in the deposits. As such, the tax revenue concerned had been understated by a similar amount.
- (b) The amount received under the PalathNegum Project to complete the remaining work of the Pradeshiya Sabha building had been overstated by Rs.302,991. As a result, the debtors' balance had been overstated.
- (c) Provision amounting to Rs.350,000 and Rs.500,000 had been made for 02 projects under The Door to Door, Village to village Programme for the year 2014. These projects had not been fulfilled even by end of the year under review. But, these had been shown as debtors and creditors. As a result, the debtors' and creditors' balance had been overstated by Rs.850,000.
- (d) The value of 173 galvanized tubes amounting to Rs. 191,533 given to the Pradeshiya Sabha By the Ministry of Local Government and Provincial Councils in December 2014 had not been brought to accounts.
- (e) The value of 03 works creditors had been overstated in the financial statements by Rs.804,452.

**1.3.2 Accounts Receivable**

The balance of 04 accounts receivable amounted to Rs.1,231,286. Balances of over 3 years amounting to Rs.22,000 had been included in this.

### 1.3.3 Accounts Payable

The balances of 07 accounts payable amounted to Rs.13,993,623 Balances of over 03 years amounting to Rs.203,977 had been included in this.

### 1.3.4 Lack of Evidence for Audit

Transactions aggregating Rs.351,752 could not be satisfactorily vouched in audit due to non rendition of schedules pertaining to 05 items of accounts.

### 1.3.5 Non-compliance with Laws, Rules, Regulations etc.

Instances of non-compliance with laws, rules, regulations etc., are shown below.

#### Reference to Laws, Rules, Regulations etc

#### Non-compliance

(a) 1988 Pradeshiya Sabha (Finance and Administration) <u>Code of Rules</u> (1) Rule 115  (11) Rule 218	Payments could only be made after certification of receipts of materials/ goods. However, 04 cheques valued at Rs.209,660 had been drawn for payments by fraudulently stating that the materials had been received.  The land and buildings of the Sabha had not been subjected to survey after the year 1987
(b) Financial Regulations of the <u>Republic of Sri Lanka</u> 571(2)	The retention money of a lapsed work amounting to Rs.35,102 existing for 02 to 14 years had not been settled.
(c) Public Administration Circular No. 25/2014 of 12 November 2014	A pass in grade 8 is the necessary qualification required for recruitment to the post of a labourer. However, permanent appointments had been made for 2 posts of labourers contravening the requirement. There was no provision to make recruitment on piece rate basis. But an unskilled non proficient person had been recruited for the post of electrician.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.3,279,479 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.4,111,150 resulting in a deterioration in financial results of the year under review by Rs.831,671

## 2.2 **Analytical Financial Review**

Certain important information relating to the financial status and financial performance of the Pradeshiya Sabha for the year under review and 2 previous years are shown below.

- (a) The surplus of the financial results as a percentage of operating revenue showed a continuous deterioration.
- (b) The percentage of ratios between the total expenditure and total the total revenue showed a steep increase showing an unsatisfactory position of the financial control.

## 2.3 **Revenue Administration**

### 2.3.1 **Acreage Tax**

The balance of acreage tax as at 31 December 2015 amounted to Rs.48,106.

### 2.3.2 **Water Charges**

The balance of water charges as at 31 December 2015 amounted to Rs.85,680.

### 2.3.3 **Garbage Fees**

Garbage fees had been recovered on behalf of garbage collected within the authoritative area of the Sabha. The arrears of garbage fees as at 31 December 2015 amounted to Rs.15,350.

### 2.3.4 **Other Revenue**

Compliance certificates had not been issued in terms of Section 21 of the Urban Development Authority Act No.41 of 1978 to 113 building applications for which approval had been granted. As such, the Sabha had been deprived of revenue amounting to Rs.84,750.

### 2.3.5 **Court Fines and Stamp Fees**

Court fines amounting to Rs.538,811 and stamp fees amounting to Rs.4,206,265 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December of the year under review.

## 2.4 **Surcharge**

A sum of Rs.32,259 was recoverable as at 31 December 2015 on behalf of the surcharge imposed during the previous year in terms of provisions in the Pradeshiya Sabha Act No.15 of 1987.

## 3. **Operating Review**

### 3.1 **Management inefficiencies**

The following matters are observed.

- (a) Title deeds and survey plans were not available for 15 community centres and 26 crematoriums administered by the Pradeshiya Sabha.
- (b) The Sabha had paid advances amounting to Rs.1,060,151 for 07 projects for which provision had been made under the Door to door, Village to village programme of the previous year. The amount concerned had not been reimbursed.

### 3.2 **Identified Losses**

The following matters are observed.

Surcharge amounting to Rs.5,807 had been paid to the Employees' Provident Fund for the period 2002 to 2012 for late remittance of contributions.

### 3.3 **Assets Management**

#### **Idle and Under Utilized Assets**

Equipment purchased for Rs.1,371,627 during the period 2008 – 2014 were lying at the stores without being used.

### 3.4 **Contract Administration**

#### **Renovation of the Dungamunawatha pre school Building and Children's Park**

(a) A sum of Rs.710,497 had been spent for the work connected with the renovation of Dugonnawatha Pre school building and the Children's Park under the Provincial Specific Development Proposal of 2013 and 2014. Action had not been taken by the Sabha to acquire the land belonging to the Land Reforms Commission where constructions had been made.

(b) **Renovation of the Access Road to the Idamgama Village**

The Provincial Engineer had entered into an agreement On 27 July 2015 with a farmers' organization for the Renovation work of the access road to the Idamgama village for a sum of Rs.985,000 for which a provision of Rs.1,000,000 had been made under the 2015 Provincial Specific Development Grant. According to the hammer tests carried out on 2 instances, the work had been reported as weak. The work had been completed in September 2015. But, no action had been taken with regard to the renovation work even by 04 April 2016.

(c) **Construction of an Office Building**

The private contractor who undertook the construction of the Pradeshiya Sabha building at an estimated cost of Rs.43,910,000 under the Puraneguma Project had used the water of the Pradeshiya Sabha for his necessary needs. But, the quantity of water consumed had not been Identified and recoveries made accordingly.

### 3.5 **Delay in Projects**

The provision approved for the maintenance of the Mahaweli Water Project under the National Programme of Strengthening of Pradeshiya Sabha amounted to Rs.300,000. Action had not been taken to commence the said work even by end of the year under review.

### 3.6 **Solid Waste Material Management**

A building had been constructed by the year 2012 for the waste management process by pending the Provincial specific Grant and the funds of the Sabha amounting to Rs.659,062. But, that had not been used for waste management activities. Instead, waste materials had been dumped there. The Sabha collects garbage from certain areas only and set fire to materials which never

gets decomposed, endangering the environment. The Pradeshiya Sabha had not paid its attention for a proper solid waste material management process.

### 3.7 **Irrregular Transactions**

- (a) A retired officer had been appointed on a contract basis for the post of technical officer of the Sabha without obtaining a proper letter of appointment from the Provincial Public Service Commission and a sum of Rs.186,000 had been paid to him as allowances during the year under review from the funds of the Sabha.
- (b) The period of service of the people's representatives ended on 15 May 2015. But the entire fuel allowance for the month of May had been paid to them resulting in an overpayment of Rs.7,500.

## 4. **Good Governance and Accountability**

### 4.1 **Budgetary Control**

- (a) Significant variances were observed between the budgeted and actual revenue and expenditure subsequent to the transfer of provisions between the revenue and expenditure items during the year under review. Thus it was observed that the budget had not been utilized as an efficient instrument of management control.
- (b) Although revenue amounting to Rs.10,510,000 had been estimated with regard to 04 items of revenue, the Sabha had failed to earn that revenue. Variances ranging from 34 to 95 per cent existed between the estimated and actual revenue of 18 items of revenue.
- (c) The entire sum of Rs.18,730,824 provided for 36 objects had been saved. Variances ranging from 38 to 97 per cent existed between the net provision and the actual expenditure.

### 4.2 **Audit and Management Committee**

Action had not been taken to establish Audit and Management Committees in terms of the letterNo.CPC/CLG/1/9/1/4 of 08 August 2014 issued by the Commissioner of Local Government.

## 5. **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) Debtors' and Creditors' Control
- (d) Assets Management
- (e) Contract Administration.