

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 28 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 28 June 2016.

1.2 Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Yatyanthota Pradeshiya Sabha as at 31 December 2015 and its financial performance and cash flow the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a) The direct expenditure incurred from the Object had been accounted for, instead of using the Stores Control Account while computing the supplies and equipment expenses of Rs.3,933,034 for the year under review. As a result, the said expenditure had not been correctly computed and shown.
- (b) The court fines staff incentive for the year under review amounted Rs.106,859. However, the sum of Rs.319,296 paid for years 2011, 2012 had been accounted for. As a result, the expenditure of the year had been overstated by Rs.212,437.
- (c) The capital expenditure of Rs.72,000 incurred on purchasing 2 trolleys for the crematorium had been accounted as expenditure on supplies and equipment. As a result, the capital expenditure and the recurrent expenditure had been understated and overstated by Rs.72,000.
- (d) The value of current assets had been understated as a result of not computing and accounting the closing stock of compost fertilizer as at end of the year under review.

- (e) The revenue from sale of compost fertilizer for the year under review amounted to Rs.40,550. However, this had been accounted as Rs.4,055 resulting in an understatement of the year's revenue by Rs.36,945.
- (f) The value of library books received as gifts at the public libraries at Kitulgala, Amanawala and Yatiyanthoa amounted to Rs.46,469. However, this had been accounted as Rs.41,369 resulting in the balances of fixed assets and the Revenue Contribution to Outlay Account being understated by Rs.5,100.
- (g) Expenditure on consumable items amounting to Rs.60,505 had been included in the expenditure of Rs.329,796 relating to purchase of machinery. As a result, the value of fixed assets and the balance of the Revenue Contribution to Outlay Account had been overstated by similar amounts.
- (h) According to the votes ledger, the expenditure on supplies and equipment of the second programme amounting to Rs.1,457,672 had been erroneously shown as Rs.40,343 in this Supplies and Equipment Account resulting in an understatement of expenditure by Rs.1,417,329.
- (i) The capital expenditure of second programme totalling Rs.1,969,200 had been accounted as Rs.1,952,325 resulting in an understatement of capital expenditure by Rs.16,875.
- (j) The revenue from court fines for the years 2011 and 2012 had been billed less by Rs.80,917 and Rs.2,448,800. This had not been adjusted during the year under review resulting in the debtors' balance and the accumulated fund balance being understated by Rs.2,529,717.
- (k) The outstanding rent of 10 stalls of Rs.30,000 destroyed by fire had been written off against the Assessed Revenue of Stall Rent of the previous year and this had been shown as expenditure of the year. As a result, the surplus had been understated by a similar amount.
- (l) The amount billed as stamp fees for the years 2011, 2012 and 2013 aggregated Rs.5,800,000. However, the revenue received during the year in this connection under review and the previous year in this connection amounted to Rs.17,425,270. Adjustments had not been made for the understatement of the amount billed, that is, Rs.11,625,270.
- (m) The interest revenue of Rs.94,355 recoverable for the year under review on behalf of 02 fixed deposit accounts had been shown as Rs.70,661 resulting in an understatement of Interest revenue and debtors' balance by Rs.23,694.

- (n) The value of fixed assets sold on auction for Rs.11,410 during the year under review on the recommendations of the 2014 board of survey had not been shown as capital revenue.
- (o) The Provincial Council aid of Rs.12,340,580 received for construction work during the year under review and the expenditure incurred on work amounting to Rs.11,146,010 had not been accounted as Capital aid and Capital Expenditure.
- (p) The expenditure of Rs.3,095,672 incurred from the funds of the Sabha for 21 jobs had not been accounted under capital expenditure.
- (q) The unsettled advance of Rs.15,000 obtained in 2014 for evaluation of food samples by the Public Health Inspectors had been shown under pre payments. In spite of this, this had been inappropriately shown under creditors too.
- (r) The value of fixed assets had been understated as the value of 07 blocks of land of 05 acres 02 roods and 35 perches belonging to the Sabha had not been computed and accounted for.
- (s) According to the board of survey report, the balance of closing stock at the electrical stores amounting to Rs.780,218 as at 31 December 2015 had not been shown under assets. As a result, the current assets had been understated by a similar amount.
- (t) The Salaries Reimbursable Revenue receivable from the first programme amounting to Rs.1,012,950 had been correctly shown in the Revenue Debtors' Account and the Salaries Reimbursable Revenue Account. In spite of this, an erroneous note had been furnished stating that a sum of Rs.892,950 had been adjusted in the Revenue Account and the Debtors' Account by Journal Note No. 09.
- (u) The total assets amounted to Rs.163,741,519 and the total liabilities amounted to Rs.164,923,475 in the balance sheet and as a result the balance sheet remained un-reconciled by Rs.1,181,956.
- (v) The value of 10 buildings dismantled amounting to Rs.452,800 had been shown under the Land and Buildings Account. As a result, the value of fixed assets had been overstated by a similar amount.

1.3.2 **Unreconciled Control Accounts**

- (a) According to the financial statements, the balances of 04 items of accounts aggregated Rs.68,265,752 whereas it aggregated Rs.44,893,073 as per subsidiary registers/reports resulting in a difference of Rs.23,372,679.

- (b) The balance of stock at the electrical stores had been shown as Rs.780,218 as per board of survey report as at 31 December 2015 whereas the balance as per register of stocks it amounted to Rs.292,218. The unreconciled value amounted to Rs.488,000.

1.3.3 **Accounts Receivable and Payable**

- (a) The accounts receivable as at 31 December 2015 amounted to Rs.36,509,095 of which Rs.17,306,332 relates to a period of over one year.
- (b) The accounts payable as at 31 December 2015 amounted to Rs.11,280,434 of which Rs.1,687,329 related to a period of over one year.

1.3.4 **Lack of Evidence for Audit**

- (a) The stock of stores in hand as at 31 December 2015 had been shown as Rs.576,085 in the accounts. However, the balance of stock could not be confirmed in audit as the stock book had not been balanced and subjected to a verification of goods.
- (b) A sum of Rs.34,200 had been paid to a labourer recruited on daily pay basis as per letter No. CLG/6/5/4 of the Commissioner of Local Government for 23 days and 15 days respectively of May and June 2015. However, no evidence, whatsoever, had been furnished to audit to show that he had worked at the Sabha or had arrived at the Sabha.

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 2015 amounted to Rs.2,116,635 as compared with the excess of revenue over recurrent expenditure of the previous year amounting to Rs.2,300,600 showing a deterioration in financial results of the year under review by Rs.183,965.

2.2 **Analytical Financial Review**

Increase in 05 items of expenditure had mainly attributed to the deterioration in financial results by Rs.183,965.

2.3 Revenue Administration

2.3.1 Performance in Collection of Revenue

The following matters are observed.

The information relating to revenue billed, actual revenue and arrears of revenue as furnished by the Secretary for the year under review appears below.

	Source of Revenue	Arrears as at 01 January 2015	Recoveries out of the arrears as at 31 December 2015	Amount billed for 2015	Recoveries out of the amount billed for year	Arrears as at 01 January 2015	Arrears out of amount billed for the year	Total Arrears
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	1,764,920	708,250	4,312,270	3,201,022	1,056,670	1,111,248	2,167,918
(ii)	Lease Rent	540,118	68,000	3,610,663	3,514,593	472,118	96,070	568,188
(iii)	Licence Fees	-	-	705,100	849,358	-	144,258	144,258
(iv)	Warrant Charges and Fines	15,819,869	6,385,925	4,494,375	245,630	9,433,944	4,248,745	13,682,689
(v)	Other Revenue	22,712,418	14,046,522	6,344,995	1,044,995	8,665,956	5,300,000	13,965,956

2.3.2 Licence Fees

- Action had not been taken to recover income from trade licences and business tax by Identifying trade organizations through annual survey. As a result, the revenue recovered had been at a low level of Rs.712,450 and Rs.575,026 respectively.
- Action had not been taken to recover licence fees from trade relating to bottling and sale of water carried out at Mahabage, Kitulgala. Action had not been taken to obtain the approval of the Sabha for construction of the building too.
- Action had not been taken to identify the capacity of the hydroelectric plant operated in Yatiyanthota. Meanwhile, no revenue, whatsoever, had been obtained from it. Action had not been taken to obtain the approval of the Sabha for construction of the building too.

2.3.3 Other Revenue

- The Sabha had not obtained revenue, whatsoever, from 21 adventurous boat riding institutions which operates boat services in Kelani and its close proximities and a method to recover revenue had not been prepared.

- (b) Charges of Rs.20,000 for a height ranging from 5 – 20 metres and Rs.100 per metre for each additional metre should be recovered for construction of a telecommunication tower as required by the Gazette Extra Ordinary Notification No.1597/8 of 17 April 2009 of the Republic of Sri Lanka. However, no amount, whatsoever, had been recovered from the telecommunication towers constructed within the authoritative area of the Sabha.
- (c) Action had not been taken to compute the square feet measurement of 06 advertisement boards installed within the authoritative area of the Sabha and to recover fees accordingly.
- (d) The Sabha had incurred an expenditure of Rs.135,055 on water charges relating to the Public lavatory at Yatiyanthota Bus Stand during the period 2014 to November 2015. However, action had not been taken to call for tenders relating to the lavatory so as to obtain revenue. An on the spot inspection made on 15 December 2015 revealed that private parties had been making unauthorized collections from users of the lavatory and as a result, the Sabha had been deprived of a revenue amounting to Rs.576,000.
- (e) 7.5 perches of land at Yatiyanthota town had been given on an annual lease basis to conduct a fuel filling station since 1981. However, action had not been taken to renew the lease agreement or to review the assessment after 14 October 2011.

2.3.4 **Court Fines and Stamp Fees**

The amount due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2015 appear below.

Rs.

(1) Court Fines	13,682,689
(11) Stamp Fees	13,965,956

2.3.5 **Lease Rent**

Action should be taken to recover lease rent according to the assessment rate computed by the Chief Valuer, at least once in 5 years, as per paragraph 2.5 of the Circular No. 2009/1 dated 09 March 2009 of the Sabaragamuwa Commissioner of Local Government. However, the rent recovered from stalls at the public market had been based on the assessment of 2009.

3. **Operating Review**

3.1 **Operating Inefficiencies**

- (a) A register of inventory had not been maintained for the furniture and equipment received as gift to 06 labourers' quarters constructed in the year 2010.
- (b) A stall of 240 sq. ft. measurement constructed in January 2015 by spending Rs.410,201 remained idle till 31 December 2015. As a result, the revenue of Rs.69,000 obtainable by the Sabha had been deprived of.
- (c) Applications for approval of all building plans should be forwarded to the planning committee for approval. However, 50 plans relating to places away from the urban area had been approved on the discretion of the Chairman.
- (d) A period of 02 to 06 months had elapsed to approve applications forwarded for construction of trade establishments and for houses constructed on bank loans. As such, it was observed that the Sabha had not taken action to fulfil efficient services of the people.
- (e) Action had not been taken to inventorize 10 multi purpose mobile stalls given in 2013 on 3 occasions by the Ministry of Provincial Councils and Local Government. There were shortages of 04 stalls by 15 December 2015, the date of audit.
- (f) Sixty two water tubes had been purchased for Rs,49,600 and handed over to the stores utilizing the provision made on 13 December 2013 under the Decentralized Budget Provision. But, these had not been entered in the stock book. The project could not be completed as a proper plan had not been prepared for implementation of the project.
- (g) Out of the sum fo Rs.4,000,000 obtained under the 2014 Strengthening of Pradeshiya Sabhas, a sum of Rs.1,391,740 had been returned to the Agency without using it for implementation of the project.
- (h) Nine units of equipment and materials valued at Rs.287,700 had been purchased in 2015. These had not been entered in the stock books and register of inventories.
- (i) The sum of Rs.312,811 deposited by consumers of water to obtain water supply from 2000 to 2008 had been spent on providing water supply. However, this amount had been shown as water supply creditors as action had not been taken to settle the balances of accounts.

- (j) A garage had not been constructed for safe keeping of vehicles belonging to the Sabha. These had been parked in open premises , such as, premises of the crematorium and In front of the Sabha.
- (k) Shortages of 19 items of stores items amounting to Rs.125,949 was observed at the physical verification carried out at the general stores on 15 December 2015.

3.2 **Irregular Transactions**

A sum of Rs.49,000 had been paid by stating that 05 labourers had been employed for 49 man days from 11 April 2015 to 30 April 2015 for spreading fertilizer at the Carbonic Fertilizer Unit and for concreting the floor. However, their presence had not been marked by signatures in the register of attendance in this connection. An officer had not signed the paid voucher stating that it has been checked with the register of attendance or the payment was correct. Payments had been approved by the Chairman.

3.3 **Environmental Problems**

Building plans had not been approved for the buildings constructed Kelani and its close proximities within the authoritative area of the Sabha. Meanwhile, action had not been taken to issue environmental licences to 25 places of adventurous boat riding.

3.4 **Contract Administration**

An advance of Rs.827,848 had been paid from the funds of the Sabha for 03 jobs of the Provincial Council. Action had not been taken to obtain the approval of the Sabha in this connection.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

One hundred per cent of the provision aggregating Rs.291,000 made for 09 objects and 83 to 98 per cent of the total provision Rs.4,270,000 of 04 objects of the year under review had not been used for investment activities.

4.2 **Assets Management**

4.2.1 **Idle Assets**

- (a) Three “Ahela Getabera” valued at Rs.54,000 had been purchased in May 2015. These had been stored in 3 libraries of the Sabha without being used.
- (b) Two water motors valued at Rs.59,900 and Rs.4,950 and a water pump valued at Rs.240,000 remained idle without being used for over 10 years.

4.3 **Unresolved Audit Queries**

Replies had not been furnished for 04 audit queries issued during the year under review.

5. **Systems and Controls**

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

- (i) Accounting
- (ii) Revenue Administration
- (iii) Asset Management
- (iv) Debtors' Control