

Yattawatta 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 30 March 2017 and the financial statements for the preceding year had been presented on 21 March 2016.

1.2 Qualified 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 Yattawatta Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended are in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements  
-----

1.3.1 Accounting Deficiencies  
-----

The following accounting deficiencies are observed.

- (a) The Dangen Compost Center was built by Spending Rs.700,000 in year 2016. This value had not been brought in to accounts.
- (b) Value of 2 land pieces amounted to Rs.132,500 which transferred to Sabha from a land sale had been capitalized twice, and value of another 2 lands belongs to the Sabha had not been valued and brought in to account.
- (c) Goods amounted to Rs.387,731 purchased under the Strengthening of Pradeshiya Sabha Programme 2014, had not been stated under the general stock.
- (d) An advance had been paid to the contractor for the construction of water source of the Green Park Water Scheme. Due to the suspension of the project Rs.234,929 had to be recovered from the contractor out of the advance paid to him. However this amount had not been brought into account under debtors and an amount of Rs.112,071 not payable to the contractor had brought into account under creditors.
- (e) Even though estimates and agreements had not been prepared for four general fund projects, value of those amounted to Rs.1,250,000 had been stated as creditors.
- (f) The value of the constructed side wall at the Walpola Cemetery under the Palath Naguma program had been overstated by Rs.107,115.

1.3.2 Un reconciled Control Accounts  
-----

The balances relating to 2 items of accounts totaling Rs.159,489 as per financial statements and the value appearing in the related subsidiary registers and reports differed by Rs. 20,420.

1.3.3 Accounts Receivable  
-----

The balances of 7 accounts receivable aggregated to Rs.17,708,333. The balances of Rs.54,250 remaining unsettled for over 3 years had been included therein.

1.3.4 Accounts Payable  
-----

The balances of 8 accounts payable at the end of the year under review amounted to Rs.12,045,532. The balances of Rs.880,099 remaining unsettled over 3 years had been included therein.

1.3.5 Lack of Evidence for Audit  
-----

Eleven items of accounts aggregating Rs.159,198,433 could not be satisfactorily vouched in audit due to non-rendition of adequate evidence.

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

The instances of non-compliance with laws, rules and regulation etc., are as follows.

Reference to Laws, Rules, Regulations  
etc.,  
-----

Non –compliance  
-----

(a) 1988 Pradeshiya Sabha (Finance  
and Administration) Rules  
-----

(i) Rule 69

A register had not been maintained for taxes on land sale according to P.S 26 C.format.

(ii) Rule 218

Land and buildings had not been verified after 1987.

(b) Financial Regulations of the  
Democratic Socialist Republic of  
Sri Lanka  
-----

(i) F.R 571 and 572

Action had not been taken to settle or to transfer in to revenue, the expired retentions amounted to Rs.236,001 of 17 works.

(ii) F.R 762

Goods purchased from 2008 to 2013 for the value of Rs.142,708 kept in stores without using.

(c) Circulars and Other Letters

-----  
 (i) Public Finance circular  
 No.04/2015 dated 14 July  
 2015

Without calling for quotations Rs.498,905 had been paid to Sri Lanka Insurance Corporation for the insurance covers of 18 vehicles of the Sabha.

(ii) Segment No iv of the Circular  
 No 3/2014(i) dated 10 March  
 2015 Secretary of the  
 Treasury and Letter No  
 3/2/1/23 dated 26 August  
 2015 Of the Commissioner of  
 Central Province Local  
 Government.

Without reimbursing private telephone bills a telephone allowance of Rs.4,000 had been affixed to Sabha secretary's salary, instead of Rs.2,000 telephone allowance. As such an overpayment of Rs.20,000 had been made within the year.

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 2016 amounted to Rs.8,310,121 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.3,279,479 resulting in an improvement in financial results of the year under review by Rs.5,030,642.

2.2 Analytical Financial Review

-----  
 Increase in revenue by Rs.10,569,265 in 4 items of revenue resulted in the Rs. 5,030,642 improvement in financial result.

2.3 Revenue Administration

2.3.1 Other Income

(a) Acreage Tax

-----  
 The arrears of acreage tax amounted to Rs.36,716 as at the end of the year under review.

(b) Water Charges

-----  
 The arrears of water charges amounted to Rs.92,856 as at 31 December of the year under review.

## (c) Garbage Charges

-----

The arrears of garbage charges amounted to Rs.14,850 as at 31 December of the year under review.

## (d) Advertisement Hoarding Charges

-----

Interim Constitutions had not been prepared and approved for advertisement hoarding charges. Survey had not been done regarding the advertisement hoardings within the authoritative area of the Sabha and a register had not been maintained for said charges.

## 2.3.2 Court Fines and Stamp Fees

-----

Court Fines of Rs.273,500 and stamp fees of Rs.5,628,750 remained recoverable as at 31 December 2016 of the year under review.

## 2.4 Surcharges

-----

The surcharge of Rs.32,259 imposed during the previous years in terms of provisions in the Pradeshiya Sabha Act remained recoverable.

## 3 Operating Review

-----

## 3.1 Performance

-----

The following matters are observed

- (a) It had not been taken in to consideration, to improve the infrastructure of the authoritative area of the Sabha and nominate it as developed area, accordingly to charge rates and taxes.
- (b) According to the budget, construction of a crematorium in Walpola cemetery in 2 stages had been a main objective. This project had not been executed.

## 3.2 Management Inefficiencies

-----

The following matters are observed

- (a) Survey plans and deeds were not available for 20 community halls administered by the Sabha. Further survey plans of 16 cemeteries and deeds of 26 cemeteries had not been rendered to audit.
- (b) From the land named Galagama Megodawatta 1/3 (69 perch) of the land extent of 1 acre 1 rood 7 perch, had been possessed by the Sabha. However Sabha does not have a deed for this land and action had not been taken to use the land for a communal activity by confirming land boundaries.

### 3.3 Operating Inefficiencies

-----

The following matters are observed

- (a) When constructing Sabha office building with the expence of Rs.35,467,842 under the Puranaguma Project, the water for the construction had been taken directly from the Sabha water line.However action had not been taken to measure the water consumption and charge it from the contractor.
- (b) Out of the 110 building applications received within the year under review, 43 applications had been approved and only 19 such applications had been issued with Compliance certificates.

### 3.4 Irregular Transactions

-----

Value of the 190 cement bags purchased for 4 works amounted to Rs.170,050.These works had not been commence even until 8 February 2017 .Accordingly the cement bags had been kept with the supplier.

### 3.5 Identified Losses

-----

Against the Public Administration circular No.25/2014 dated 12 November 2014, post of the Electrician was presented with permanent appointment and later the appointment was cancelled on 4 December 2015. Due to that the said person filed a case on 25 September 2016 against the sabha on Supreme Court. Lawyer fees amounting to Rs.300,000 had been borne by the Sabha which was an in vain expense due to taking action against circulars and without having proper advice.

### 3.6 Contract Administration

-----

The following matters are observed.

- (a) Construction of a bridge at Dorakumbura cemetery road
- 

The above work had been executed under Gamin Gamata Dorin Dorata-Construction of Rural Bridges- 2014 program.However even until 9 February 2017 construction had been terminated without completion.The contractor had rendered a final bill amounted to Rs.150,507 of which the date of completion had not mentioned. Even after 2 years from the commencement of the contract the relevant objective had not been fulfilled. As such, the advance paid to the contractor amounting to Rs.98,000 had been a fruitless expense.

- (b) Development of Dangan nursery school and children park
- 

Rs.2,184,523 had been spent on development of Danken Pre-school and children's park within year 2012 to 2016.However the Sabha had not a suitable program for the utilization of the building and Children Park, and even untill 15 February 2017 Sabha had not the clear possession of the land.

## (c) Construction of toilets for Walawela Clinic and Pre-School

-----  
 An agreement for Rs.668,360 had been entered with a private institute for the execution of above project under the Improvement of Infrastructure Facilities of the Local Authorities programme. Bills and measurement sheets amounting to Rs.628,810 had been presented to the Commissioner of Local Authorities for reimbursement. Five subjects of work amounting to Rs.27,062 which not completed had been simulated as completed in the said bills.

## (d) Construction of Water Source for Green Park Water Scheme.

-----  
 Following drawbacks had been observed regarding the above project executed under the Improvement of Infrastructure Facilities of the Local Authorities program of the Ministry of Local Authorities and Local Government.

- (i) Feasibility study had not been conducted regarding the construction land of the well. Accordingly problems had arisen regarding the said land and constructions had been terminated by completing works amounting to Rs.112,071 only. Action had not been taken to recover the advance payment of Rs.347,000 to the contractor.
- (ii) Due to the failure of above project, plans had been made to construct a deep tube well under a new estimate of Rs.1,677,354. However approval had not been taken for this new estimate. Construction of the new well and pump house had been started in a land where Sabha have not an ownership.
- (iii) For this second project, on 30 December 2016 Rs.231,150 worth water pump had been purchased and kept in the stores and Rs.356,266 worth water pipes and fitting had been purchased and issued to the technical officer. However even until 15 February 2017 the project had not been executed.

## 3.7 Delays in Projects

-----  
 The following matters are observed.

- (a) Action had not been taken to commence 11 construction projects even until 15 February 2017 with Rs. 2,800,000 allocations under Pradeshiya Sabha funds. And also 8 construction projects with Rs.1,200,000 approved provisions under year 2016 under the Strengthening of Pradeshiya Sabha Programme had not been executed.
- (b) Three projects with the allocations amounting to Rs. 450,000 had been approved under the Community Water Supply and Sanitary Project, and had to be completed on or before 30 July 2016. These projects had not been completed even until 15 February 2017.
- (c) Improvement of water source of Pathingaskotuwa water scheme had been executed under the Strengthening of Pradeshiya Saba Programme. Rs.542,192 worth goods purchased on 9 December 2016 for 29 subjects of that project had been kept in the

stores. Even though the construction work of the water project had to be completed on 30 November 2016, it had not been completed till 7 February 2017.

### 3.6 Solid waste management

-----

The building constructed by spending Rs.659,062 in 2012 with Provincial Specific Development Funds and Sabha Funds, and the Danganwatta compost unit which completed with the allocations of Rs.700,000 under Provincial Specific Development Funds had not been utilized for an effective activity to achieve the intended objectives. As such Sabha not had a proper program to do so.

## 4 Accountability and Good Governance

-----

### 4.1 Internal Audit

-----

An internal audit method had not been adopted in terms of Rule 5(7) of the 1988 Pradeshiya Sabha (Finance and Administration) code of rules.

### 4.2 Audit and Management Committees

-----

Action had not been taken to establish Audit and Management Committees even until 31 December of the year under review.

### 4.3 Budgetary Control

-----

- (a) Provisions made for 41 items of expenditure amounted to Rs.12,872,000 had been saved without any expenditure being incurred. Even after transferring Rs.546,200 to other items out of the provisions made for 11 items of expenditure amounted to Rs.755,000, the entire net provision had been saved.
- (b) The variance between the net provision and the actual expenditure of 30 items ranged from 40 to 98 percent.
- (c) None of the revenue of Rs.16,203,800 estimated for 9 items of revenue had been earned. Variance ranging from 37 to 98 percent existed and variance ranging from 33 to 450 percent existed between the increase in actual revenue and estimate of 18 revenue items.
- (d) Significant variances were observed between the budgeted and actual revenue and expenditure consequent to the transfer of provisions among the items of revenue and expenditure during the year under review showing that the budget had not been utilized as an effective instrument of management control.

5. Systems and Controls

-----

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

- (a) Debtors' and Creditors' Control
- (b) Staff Management.
- (c) Assets Management.
- (d) Budgetary Control.
- (e) Stores control.