

Yatinuwara Pradeshiya Sabha
Kandy District

1 Financial Statements

1.1 Presentations of Financial Statements

The financial statements for the year under review had been presented for the Audit on 17 March 2017 and the financial statements for the preceding year had been presented for audit on 30 March 2016.

1.2 Qualified Opinion

I am of opinion that except the effect on the financial statements of the matters referred in paragraph 1.3 on this report, the financial statements had been prepared in accordance with generally accepted accounting principles and give a true and fair view of the state of affairs of Yatinuwara Pradeshiya Sabha as at 31 December 2016 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies are observed.

- (a) A cab and two tractor trailers owned to the Sabha with the value of Rs.345,000 had not been included in the financial statements as the fixed assets.
- (b) The payable amount of the two construction works had been understated in a sum of Rs.181,500 hence the amount of Rs.501,663 was accounted as Rs.320,163.
- (c) The expenditure amount of Rs.299,973 that related to the year under review, but paid at 15 times in 2017 had not been included in the financial statements of the year under review as creditors.
- (d) Although a sum of Rs.136,070 remained as payable to the Local Government Pension Contribute Fund at the 31st of December of the year under review, it had been included under the creditors as the sum of Rs.27,331 so the balance of multi creditors had been understated in a sum of Rs.108,739 on the financial statements.
- (e) When correcting the error of capitalized the library books after deducting the discount amount that got in purchasing, Although the discount amount of Rs.394,659 had been adjusted to the fixed assets, it had been understated in a sum of Rs.394,659 hence wasn't adjusted to the account of contribution from the revenue to the capital scheme.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

While the total of 08 balance of accounts Receivable as at 31 of December 2016 amounted to Rs.70,905,960 balances that had elapsed more than 05 years is amounting to Rs.1329,351 and total balances that had elapsed between 01 to 05 years amounting to Rs.17,446,995 had been included therein.

(b) Accounts Payable

While the value of 02 creditors balance as at the date of the end of the year under review amounted to Rs.46,871,514 total of balances had elapsed 01 to 05 year amounting to Rs.15,699,124 had been included therein.

1.3.3 Lack of Evidence for Audit

(a) Transactions totalling Rs.211,639,281 relevant to 13 items of accounts could not be satisfactorily vouched in audit, due to non – submission of required information to audit.

(b) The 13 foot bicycle with the value of Rs.8,570 and 19 garbage carts with the value of Rs.103,700 that had taken to the financial statement under the motor vehicles and carts had not been presented to the physical test.

1.3.4 Non compliance with Laws, Rules and Regulations etc.

Following instances of non-compliance with Laws, Rules, and Regulations were observed during the audit.

Reference to laws, rules and regulations	Non compliance
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(a) Act no. 41 of Urban Development authority of 1978 (revised by gazette notification no 935/6 dated 06 August 1996 of a Democratic Socialist Republic of Sri Lanka	

Para 22(i)(a) and (d)	The land that named ‘walawwaththe and part of Dawakekumubara’ that had sub divided and the part of less than 40 perches and reserved for the Pradeshiya Sabha despite 65.6 perches, a sum of Rs.1,462,281 that got from the relevant developer for 29.9 perches as Rs.48,906 for each and it had been retained on the account of the public deposit.

(b) Pradeshiya Sabha (financial and Administrative) rules at 1988

(i) Rule 217

A schedule had not been followed- on according to the format of PS 46 for lands and buildings.

(ii) Rule 218

While yearly investigation had not been carried out about the lands and buildings of the Sabha, any action had not been taken to protect those lands by making fence borders.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

FR 102,103, and 104

Harms and damages done to the Sabha relating to vehicle accidents and lost that had occurred at 05 times within the period of year 2003 to 2014 had not been documented. Any actions had not been taken to recover the losses related to 03 harms and damages through a regular examination.

(d) Circulars

(i) Circular No, 41/90 dated 10 October 2016 of Public Administration

Fuel combustion of 17 vehicles that owned to the Sabha had not been examined.

(ii) Section 2 of circular no. 26/92 (1) Of Public Administration dated on 03 August 1994

The government logo had not been adapted to the 18 vehicles of the Sabha.

(iii) Circular no 02/2015 (02) of the Public Finance dated on 10 July 2015

Although 07 vehicles and 04 tractor trailers of the sabha should be expulsion, It had been allowed to destroy between periods of time 05 years to 23 years.

2. Financial Review

2.1 Financial Results

According to the financial statement presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.40,113,445 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.39,295,516. When compared with the Preceding year an increase of Rs.817,929 was shown in financial results for the year under review.

2.2 Revenue Administration

2.2.1 Rates

The following matters are observed

- (a) While the balance of rates in arrears amounted to Rs. 3,776,011 as at 01 of January the year under review a sum of Rs. 1,185,171 thereof had been recovered in the year under review. While the billed revenue amounted to Rs.3, 468,400 in the year, a sum of Rs. 2,585,575 thereof had been recovered. While the recovered percentages of the arrears and billed amount were 31 and 60 in respectively, the balance of rates in arrears amounted to Rs.3,473,665 as at 31 of December.
- (b) Actions had not been taken to recover an arrears balance of Rs.783,834 that descended during 04 to 08 years from 05 public entities at 31 December of the year under review.

2.2.2 Acreage Tax

While the balance of acreage tax in arrears amounted to Rs.59,870 as at 31 December 2016, the quantity of 62 percent of the total arrears amount or a sum of Rs. 36,900 thereof had been arrearised from long term as during 18 to 25 years.

2.2.3 Notice Board Charges

Although the license should be taken for advertised in the area of authority of the Sabha, according to the 1st statements of the section of advertisement and environment visual of the 39 statement of related by-law code no. 06 of 1952 for Local Government entities that published by the gazette no.52/7 of Democratic Socialist Republic of Sri Lanka dated on 23 august 1988, actions had not been taken to recover the notice board charges of Rs.26,700 from 13 entities away from above behest.

2.2.4 Court Fines and Stamp Fees

A sum of Rs 800,000 of court fines and a sum of Rs.43, 575, 375 of stamp fees were due to recover, as at 31 December 2016, from the chief secretary and other authorities.

3. Operating Reviews

3.1 Performance

(a) Carry out the Development Proposals under the Sabha Fund

The following matters are observed.

- (i) Out of the 52 proposals of development that had decided to carry out under the Sabha fund, 43 of them had presented to the Commissioner of Local Government after the 06 months from starting the year, on 16 June 2016, and send after approving by the Chief Ministry between periods of time 30 august to 29 December of 2016 in 07 times. The sabha had been taken actions to carry out only 07 of them by agreeing with the

construction committees and it had carried out in the year 2017. However, any actions had not been taken to carry out other 36 proposals.

- (ii) Although more than 30 percent from auto proceed other revenue should be utilized in development activities as fulfilling the objectives of the act, even a sum of Rs.87,347,396 had earned as recurrent income, at the last date of the year under review, it had observed that a sum of Rs.20,000,000 thereof invested in fixed deposits without utilizing any amount in the affairs of development.

(b) The Program of Strengthening the Pradeshiya Sabha

04 projects worth of Rs. 3,550,000 had been sent on 28 July 2016 and 17 October 2016 and approved by provincial council and Ministry of Local Government under the program for strengthening the Pradeshiya Sabha. 03 projects thereof had not been carried out in the year under review, so the objectives of the national project for strengthening the Pradeshiya Sabha had not been achieved adequately.

(c) Non- maintenance of Public Latrines

Three public latrines that situated in the town Poththapitiya, Danthure, and Peradeniya had been maintained as harmful to the health without maintaining properly.

3.2 Management Inefficiencies

Following matters are observed.

(a) A Tractor Crash

A tractor no.49-7613 and a trailer that had crashed in the year 2011 had been allowed to be destroyed without any repair. Although the Sri Lanka Insurance Corporation had been agreed to recover the loss of a sum of Rs.700, 000, on 05 September 2014, any actions had not been taken to claim that amount until the 25th of March 2017.

(b) HumanResource Management

There were 03 vacancies for 03 designations and 07 surpluses of 04 designations at the date of 11 October 2016

(c) Ayurvedic Clinic Centre

Although the amount of Rs.1,100,000 had been allocated for supplement of medical facilities related to the 12 Ayurvedic clinical centres of the Sabha, only the percentage of 47 had been utilized as at 31 December of the year under review. Furthermore, it had discovered, that had not supplied adequate medicine to Embilmeegama Ayurvedic clinic.

(d) General Deposit

- (i) While there was a balance of Rs.7,550,424 under the various deposits as at 31 December of the year under review, a sum of Rs.2, 281,375 and Rs.796,658 of hands holding money for the construction that hold on the deposit accounts which received at 14 times in the year 2014 and at 42 times in the year 2015 in respectively, had been retained on the deposit account without utilizing on maintenance or returned to the relating contractors after the contractual period expires.
- (ii) The sum of Rs. 104,698 that received at 10 times in the preceding year as disposal of waste, election allowances, worker bond, recovery of distress loan and fun tax, had been retained under various deposits without taking action to settlement.
- (iii) A sum of Rs.1,489,101 that received at 03 times for the part of land which received to the sabha for general affairs, in the land subdivision, had been retained on deposit account without utilizing in common activities of the lands.

(e) Acquisition of Lands

- (i) Although the deeds of lands that owned to the Sabha should be taken over in the name of the Sabha when the land parcel and sale, the three deeds of 7land of 71 perches worth Rs.375,000 had been written in the official names as president/secretary of the Sabha in the year 2017.
- (ii) While the 07 cemeteries had not been taken over to the sabha and, there was not confirmed the security of 35 cemeteries by making fence borders.

3.3 Operational Inefficiencies

Actions had not been taken to recover a balance of employee loan that amounting Rs.261,369 that had received from an employee who was compulsory retired and from an employee who was interdicted.

3.4 Solid Waste Management

The following matters are observed.

- (a) The manufacturing of compost with proper quality had been limited because it was not used waste riddle to sifting the organic fertilizer by the Pradeshiya Sabha. Accordingly 300 tons of organic fertilizer that had manufactured currently had been unrequited and had faced natural disasters at the kirimatiyawa Waste Management Centre.
- (b) Although there had used fly killers of Rs.99,900 as at 07 October 2016 for the waste project, it had observed a heavy fly infestation on the local observation.
- (c) It had been observed that waste and filthy water are shifted to the riverside that fallen down parallel to the road of Peradeniya to Gannoruwa and the abutting reservation by the householders and the business firms on the field test that's done on 07 October 2016.

4. Accountability Good Governance

4.1 Budgetary Control

The following matters are observed.

- (a) Even after the provisions transfer between the revenue and expenditures during the year under review material differences were observed between the estimated and actual 25 items of revenue in a range of 13 to 99 and 43 items of expenditures in a range of 12 to 97 percent. Accordingly, it was observed that, the budget had not been made use of as an effective tool of management.
- (b) A provision of Rs.6,737,000 that had provided for 24 items of expenditures had been reserved totally.
- (c) A provision of Rs.963,600 that had estimated for 08 items of income had not been earned.
- (d) Even the budget should be prepared on estimated values of that done properly, for the projects that hope to carry out in the next year, after amending the priorities to the proposals received in the preceding year, without doing so, Sabha had been approved the estimate that made using the gross amount of Rs.20,000,000 for the capital expenditures.

4.2 Asset Management

Idle/ Underutilized Assets

A tractor that owned to the Sabha had been idle during the period of 07 years.

4.3 Corporate Plan

It had not been prepared a corporate plan as covering the year under review.

4.4 Action Plan

There were not made an action plan for the year under review.

5. Systems and Controls

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

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