

**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 23 March 2017 and the financial statements for the preceding year had been presented on 28 March 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 14 July 2017.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters described 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 2016 and its financial performance and cash flows 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 were observed.

- (a) Assets amounting to Rs. 907,085 and consumables amounting to Rs. 675,592 received as donations in the year under review had not been brought to account.
- (b) Discounts amounting to Rs. 35,060 received in purchasing library books had not been brought to account as discounts received.
- (c) Despite that, consumable items of Rs. 60,505 included erroneously in the machinery and equipment account in the year 2015 was rectified by correcting the Capital Contribution to Revenue Account and Machinery and Equipment Account, same amount had been adjusted again to the General Stores Account and the Suspense Account.
- (d) The court fines staff incentive allowance amounting to Rs. 514,185 paid in respect of the years 2013, 2014 and 2015 had been brought to account as an expenditure for the year under review and as such the expenditure for the year under review had been overstated by similar amount.
- (e) Recording fees of stamp fees amounting to Rs. 65,050 paid in respect of the years 2014 and 2015 had been brought to account as expenditure for the year under review, and as such the expenditure for the year had been overstated by similar amount.
- (f) Even though, the interest revenue receivable for the year under review in respect of 02 Fixed Deposit Accounts amounted to Rs. 179,356, it was shown as Rs. 149,397 and as such the interest revenue and revenue debtors had been understated by Rs. 29,959.

- (g) The Provincial Council and line Ministry grants received in the under review for construction works amounting to Rs. 23,339,349 and the expenditure incurred for those works amounting to Rs. 21,712,502 had not been brought to account under capital grants and capital expenditure.
- (h) A sum of Rs. 5,800,000 had been shown as revenue in the Income and Expenditure Account without ensuring the actual stamp fees revenue for the year under review.
- (i) The salary reimbursement grants receivable relating to the year under review had been brought to account understating by Rs. 328,220.
- (j) Eighteen buildings valued at Rs. 969,054 belonging to the Sabha identified as no physical existence had been shown under Land and Buildings. As such, the value of the fixed assets had been overstated by similar amount.

**1.3.2 Unreconciled Control Accounts**

A difference of Rs. 10,219,879 was observed between the balance of 04 items of accounts according to the financial statements, and according to the related subsidiary registers/ reports.

**1.3.3 Suspense Accounts**

The balance of the suspense account unidentified in the preceding years amounting to Rs. 3,061,151 had been written off from the Accumulated Fund without being identified.

**1.3.4 Non - compliance with Laws, Rules and Regulations etc.**

The following non - compliances with laws, rules and regulations and management decisions were observed in audit.

**Reference to Laws, Rules, Regulations  
and Management Decisions**

**Non - compliance**

**(a) Financial Regulations of the  
Democratic Socialist Republic of Sri  
Lanka**

(i) F.R. 396(d)

Action had not been taken on a cheque not presented for payment and exceeded 06 months valued at Rs. 39,617.

(ii) F.R. 570, 571

The schedules had not been prepared in respect of miscellenous deposits totalling Rs. 1,099,442 deposited in 45 instances during the period from the year 2008 to 2014 and house rent deposits totalling Rs. 66,205 deposited in 276 instances during the period from the year 1973 to 2010 and action had

not been taken to credit those to the Pradeshiya Sabha Fund.

(iii) F.R. 1646

Even though, the Daily Running Charts with Monthly Performance Summaries should be furnished to audit before 15<sup>th</sup> day of the subsequent month of the month of which travelling performed, action had not been taken accordingly in respect of all vehicles of the Sabha.

(b) Extra Ordinary Gazette of the Democratic Socialist Republic of Sri Lanka No. 1597/8 dated 17 April 2009

Even though, processing fees of Rs. 20,000 for a height ranging from 5 to 20 meters and Rs. 100 per meter for each additional meter should be recovered in construction of telecommunication towers/ antenna towers, fees amounting to Rs. 166,500 had not been recovered for 08 towers according to the data of the Central Environmental Authority.

(c) Circular No. CM/AD/20/03 of the Secretary of the Chief Minister of the Sabaragamuwa Provincial Council

Ten employees appointed as minor employees had been deployed in other services without being deployed in the posts for which appointments given.

(d) Circular of the Sabaragamuwa Provincial Commissioner of Local Government No. 2009/01 of 09 March 2009

Paragraph 1.5

The lease rent had been assessed for the year 2009 and had been recovered from the year 2011. Even though, it was mentioned that the above assessment should be valid for next 3 years only, the lease rent for trade stalls of the public market had been recovered on the above assessment even for the year 2016.

## **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 2016 amounted to Rs. 1,910,095 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 2,116,635 indicating a deterioration in financial results of the year under review by Rs. 206,540.

## 2.2 Analytical Financial Review

The decrease in 02 items of revenue and increase in 05 items of expenditure had mainly attributed to the deterioration in the financial results by Rs. 206,540.

## 2.3 Revenue Administration

### 2.3.1 Performance in Collection of Revenue

The following matters were observed.

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

Source of Revenue	Arrears as at 31.12.2016						
	Arrears as at 01 January 2016	Recoveries out of the arrears as at 31 December 2016	Amount billed for 2016	Recoveries out of the amount billed for year	Arrears as at 01 January 2016	Arrears out of amount billed for the year	Total Arrears
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
(i) Rates and Taxes	2,145	1,469	3,686	3,125	667	561	1,237
(ii) Lease Rent	788	281	4,806	4,294	507	512	1,019
(iii) Warrant Charges and Fines	13,683	13,683	5,333	-	-	5,333	5,333
(iv) Other Revenue	15,686	13,388	26,436	18,243	2,298	8,193	10,491
<b>Total</b>	<b>32,302</b>	<b>28,821</b>	<b>40,261</b>	<b>25,662</b>	<b>3,481</b>	<b>14,599</b>	<b>18,080</b>

### 2.3.2 Assessment Rates

In an instance of any rate or acreage tax remaining unpaid, the action should be taken to recover the money by selling the property of the owner of the place for which should recover the rates on a restraining order. Nevertheless, the legal action had not been taken to recover the rates and acreage tax amounting to Rs. 121,879 remained unrecovered for over 05 years from the land owners and 47 places according to the test check carried out.

### 2.3.3 Lease Rent

The following matters were observed.

- (a) Ten trade stalls and 02 trade stalls out of 12 trade stalls with an extent of 136 square feet had been given on a monthly lease rental at the rate of Rs. 3,000 and Rs. 1,900 respectively and after the fire occurred suddenly on 23 December 2013, the trade stalls had been repaired at a good condition than the previous condition. Nevertheless, the lease

rent had been recovered on the assessment made on 08 December 2009 and the annual lease agreements had not been renewed after the year 2012.

- (b) A trade stall about 240 square feet in the Public Market had remained idle for a period from January 2015 to January 2017. Even though, it was decided to utilize that room for selling fertilizer, the selling of fertilizer had been done in the premises of the Sabha itself. Therefore the lease rent of the trade stall had been deprived by the Sabha since 2 years.

### **3. Operating Review**

#### **3.1 Performance**

The following observations are made.

- (a) A sum of Rs. 59,596,829 had been allocated by the Sabha as Recurrent and Capital Provisions from the Annual Budget Estimate and two Supplementary Estimates to take actions required for public welfare. Out of those provisions, the amount could be spent for the activities of the Sabha after making a deduction of Rs. 1,489,455 allocated for the transactions of the Local Loans Development Fund, had been Rs. 58,107,374. According to the financial statements, the actual sum aggregated Rs. 45,102,032 had been spent comprising Rs. 42,963,748 and Rs. 2,138,284 for Recurrent Expenditure and Capital Expenditure respectively. As such a sum of Rs. 13,005,342 or 22.4 per cent of the total net provision had not been utilized for the activities of the Sabha.
- (b) Out of the provisions, made for the year under review for 08 Objects which directly affected to the public welfare, provisions ranging from 43 per cent to 100 per cent had been saved.

#### **3.2 Management Inefficiencies**

The following matters were observed.

- (a) Action had not been taken by the Sabha to recover the sums of Rs. 64,950 and Rs. 16,238 paid to Employees Provident Fund and Employees Trust Fund respectively on behalf of 10 employees who obtained permanent appointments in the Provincial Public Service since 31 December 2015. In addition to that, a sum of Rs. 18,789 had not been deducted from the employees salaries as contributions to the Widows and Orphans Pension Fund and send for the above period.
- (b) The following matters were observed in respect of the leasing of the land plot in extent of 7.5 perches in the Yatiyantota Town.
  - (i) Above land plot had been leased (i) on annual lease basis to the Ceylon Petroleum Corporation from the year 1981 and an agreement had been entered into for the last time on the basis of commencement from 15 October 2001 and completion on 14 October 2011. According to the agreement, a new agreement should have been entered into for another 10 years period after completion of the agreed

period with the concurrence of both party. Nevertheless, the land was being utilized without entering into a new agreement even by 06 January 2017.

- (ii) According to the Section 6 of the lease agreement, the assessment should be made by the Chief Valuer once in 05 years and a lease rent of 150 per cent of said assessed value should be recovered. Nevertheless, the re-assessment had not been done within 15 years since the commencement of the agreement in the year 2001.
  - (iii) Even though, a request had been made to the Chief Valuer, for a new assessment it was revealed that the assessment reports had not been received due to non – submission of title deeds and a correct plan of the said land. Action had not been taken by the Sabha to provide related documents and to obtain new assessment report even by 06 January 2017.
- (c) Action had not been taken to recover staff loans totalling Rs. 625,550 given for 48 persons in respect of the period from the year 1985 to 2015.

### **3.3 Operating Inefficiencies**

The following matters were observed.

- (a) Provisions had been allocated to develop 18 roads on the Provisions of General Funds under the Object of Repairs and Maintenance of Roads and Pavements during the year under review. According to the reports of the Planning Section, the estimates for the development of 19 roads except the roads included in the budget, totalling Rs. 7,219,488 had been approved and an expenditure amounting to Rs. 5,126,997 had been incurred by 31 December 2016. Three works valued at Rs. 873,066, out of those 19 works had not been commenced and an expenditure exceeding the provisions by Rs. 1,706,997 had been incurred for rest of the works. Nevertheless, action had not been taken to develop the road directing to the Kalatuwava Solid Waste Management Centre which was an essential repair proposed in the Budget.
- (b) Due to decaying the building allocated to the Public Library before several years the Library had been established temporarily in the auditorium of the two storied building constructed in the year 2006 and maintained up to 05 January 2017. Therefore, the revenue obtainable by leasing the auditorium had been deprived by the Sabha, and utilizing the auditorium for the activities of the Sabha had also failed.

### **3.4 Idle and Underutilized Assets**

Seven vehicles had remained idle for a period from 03 years to 08 years and action had not been taken either to repair and utilize or to dispose of those vehicles.

### **3.5 Identified Losses**

Even though, a sum of Rs. 536,520 had been paid under Stage 1 to construct the office and the stores of the Compost Fertilizer Project in the years 2010 and 2011, it was revealed that, such a construction had not been carried out according to the audit examination on 05 January 2017.

### **3.6 Contract Administration**

An agreement had been entered into at Rs. 1,448,273 on 21 November 2014 for the contract of construction of the bridge of the D.M. De Silva Avenue, Parussalla under Implementation of National Development Plan of “Dorin Dorata Gamin Gamata” for the Economic Development.

### **3.7 Solid Waste Management**

The following matters were observed.

- (a) A compost fertilizer production project had been implemented from the year 2009 but the following problems existing as barriers to carry out the project further successfully had not been solved.
  - (i) The stores facilities for storage before selling solid waste and the facilities for recycle or to dispose were not made available.
  - (ii) Finding buyers for electronic waste.
  - (iii) Permanent water facilities and accommodation facilities were not made available.
  - (iv) Inadequacy of staff welfare and required machinery.
- (b) The methodologies for recycling the solid waste such as polythene and plastic had not been enquired.
- (c) As there was no retaining wall to cover the garbage dumping place for the rest of the garbage after processing of compost fertilizer, the possibility to arise additional environmental problems may increase due to garbage flowing to other lands outside the premises.

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

### **4.1 Budgetary Control**

Out of the net provision, 100 per cent of provisions made for 10 Objects aggregating Rs. 2,724,500 and 14 to 94 per cent or Rs. 11,064,179 out of the provision aggregating Rs. 33,686,640 made for 23 Objects for the year under review had not been utilized for the activities of the Sabha and a sum of Rs. 1,803,283 had been incurred exceeding the allocated provisions of 04 Objects.

**5. Systems and Controls**

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

<b><u>System</u></b>	<b><u>Observation</u></b>
(a) Accounting	(i) Non – settlement of the suspense account. (ii) Lapsed deposits not brought to the revenue. (iii) Not updated the Register of Fixed Assets. (iv) Non – presentation of clear narration on journal entries. (v) Understatement and overstatement of revenue, expenditure and assets, liabilities in the accounts. (vi) Non-reconciliation of ledger account balances and registers
(b) Budgetary Control	Significant savings on net provisions.
(c) Revenue Administration	(i) Non – furnishing of arrears of revenue. (ii) Not assessed lease rent in due period.
(d) Motor Vehicle Control	(i) Non - furnishing Daily Running Charts. (ii) Not updated vehicle Log Books. (iii) Action not taken on condemned vehicles and on vehicles to be repaired.
(e) Finance Control	(i) Not invested excess money. (ii) Action not taken on lapsed cheques.