

Yakkalamulla Pradeshiya Sabhawa
Galle District

1. Financial Statement

1.1 Presentation of Financial Statements

The financial statement for the year 2017 had been presented for Auditor General on 23 March 2018 and these financial statements was issued to the Chairman on 31 August 2018.

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 Yakkalamulla Pradeshiya Sabha. as at 31 December 2017 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 deficiencies were observed.

- (a) Capital aids of Rs.8,493,508 receivable for preceding years had been brought to account as a revenue received during the year under review. Hence the revenue of the year had been overstated by that amount.
- (b) In correcting the capital aids overstated in accounts in preceding years over actually receivable as Rs. 86,981. Cumulated Fund Account had been overstated by Rs.173,962.(due to having debited the Development Deposit Account and having credited Cumulated Fund.)
- (c) In correcting the defect that had been occurred in bringing advances into account obtained in preceding years, expenditure of the year under review had been overstated by Rs.37,560.
- (d) The Cab valued at Rs.625,000 and the Tractor valued at Rs.400,000 scheduled for auctioning upon Board of Survey recommendations had been deleted from books without having auctioned.

- (e) Fixed Deposit interest of Rs.62,103 applicable to the year under review had not been brought to account as revenue of the year.
- (f) Entertainment Tax of Rs.80,540, applicable to the year under review had not been brought to account as revenue of the year under review.
- (g) Government contribution of Rs.64,013 receivable for the year under review as property loan interest had not been brought to account as revenue aid.

1.3.2 Unreconciled Account

The total of variance between balances of 08 account captions valued at Rs.37,343,997 included in financial statements and the balances indicated in supportive documents and reports applicable to them amounted to Rs.20,584,036.

1.3.3 Accounts Receivable and Payable

Accounts Payable

- (a) Without settlement of accounts through payment of loan installments and interest payable in respect of loans obtained from Local Credit Development Fund, loan installment applicable to each year had been transferred to other Creditors and interest to creditors respectively. Accordingly the total amount payable at the end of the year under review was observed as Rs.12,486,105.
- (b) The amount payable to the Department of Pension at the end of the year under review in respect of officers retired from service of the Sabha was Rs.1,404,378.

1.3.4 Lack of Written Evidence required for audit

Non presentation of information to audit

Due to non presentation of information, it was not possible to satisfactorily verify 04 account captions, value of which totaled at Rs.29,725.

1.3.5 Non-Compliance with Laws, Rules, Regulations and Management Decisions

Instances relating to non-compliance with laws, rules, regulations and Management decisions are given below;

Reference to laws, rules, Regulations & management decisions	Value	Non-Compliance
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	Rs.	
(a) Pradeshiya Sabha (Financial & Administration Rules) Rule 193	-	Statement comparing revenue and expenditure with Budget and adducing reasons for excesses and shortages had not been prepared at 31 December and not submitted for audit.
(b) Financial FR 102 to 110 of the Democratic Socialist Republic of Sri Lanka		Register on losses/damages had been submitted for audit nor maintained a loss/damage register.
(c) Public Finance Circular No.30/2016 dated 29 Dec. 2016		Fuel burning of 18 vehicles owned by the Sabha had not been tested..
2. Financial Review		

2.1 Financial Results		

According to financial statements presented the excess of recurrent revenue over expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.6,397,787 as against the excess of the recurrent expenditure over revenue for the preceding year amounted to Rs.2,546,679.		
2.2 Financial Control		

Total of the average monthly balances of 03 current accounts of the Sabha was Rs.4,754,888 and revenue available to the Sabha had been lost due to non investment of excess funds.		
2.3 Revenue Administration		

2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and Revenue in Arrears		

Information relating to estimated revenue, billed revenue, collected revenue and in arrears presented in respect of the year under review and the preceding year are as follows:		

Sources of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears as at 31 Decem.	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears as at 31 Decem.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i. Rates & Taxes	38,040	40,676	26,218	199,570	38,000	40,506	70,838	185,112
ii. Lease Rent	361,800	3,752,040	3,750,540	17,500	3,648,000	3,568,863	3,569,113	23,000
iii. Licence fee	1,095,000	521,864	554,314	74,950	1,075,000	433,210	562,460	107,400
iv. Other Revenue	68,297,300	-	38,278,121	-	45,588,600	-	36,551,514	-
	69,792,140	4,314,50	42,609,193	292,020	50,349,600	4,042,579	40,753,925	315,512

2.3.2 Performance in Revenue Collection

During the year under review the estimated revenue was Rs.69,792,140, billed revenue was Rs.4,314,580, collected revenue 42,609,193 and revenue in arrears at the end of the year was Rs.292,020.

2.3.3 Rates and Taxes

In terms of Sections 134(1) and (2) of the Pradeshiya Sabha Act, No.15 of 1987, no attention had been paid to identify areas declared as developed areas with the approval of the Asst. Commissioner and to recover rates and taxes accordingly.

2.3.4 Acre Tax

The following observations were made,

- Out of the Acre Tax of Rs.225,788 recoverable for preceding years and the year under review, 89 percent had not been recovered.
- Action had not been taken to recover Acre Tax in arrears as per Section 158 (1) (a) of the Pradeshiya Sabha Act No.15 of 1987. Accordingly the balance in arrears at the end of the year under review amounted to Rs.199,570.

2.3.5 Lease Rent

Billed value had been exceeded by Rs.3,390,240 over estimated value and progress of the recovery from balance in arrears and billed value was 99 percent.

2.3.6 License Fee

Billed value was less by Rs.573,136 than the estimated value and collection amounted to Rs.554,314 with recovery achieving 100 percent success.

2.3.7 Business Tax and Industrial Tax

Action had not been taken in terms of Section 152(4) of the Pradeshiya Sabha Act No.15 of 1987 to recover business tax and industrial tax of Rs.74,950 remained non recovered even by the end of the year under review.

2.3.8 Court Fines and Stamp Fee

Rs.13,798,980 and Rs.1,382,243 had been recoverable as stamp fee and court fines respectively as at 31 December 2017 from the Chief Secretary and other Authorities of the Provincial Council.

3. Operating Review

3.1 Performance

Matters revealed in the fulfillment of activities which were to be performed by the Sabha with regard to streamlining and maintaining of public health, common utility services and public roads as well as satisfaction and welfare of the people under section 3 of the Pradeshiya Sabha Act are as follows:

(a) Action Plan

No annual action plan had been prepared in respect of activities to be performed by the Pradeshiya Sabha in terms of by-laws enacted.

(b) Activities abandoned

A sum of Rs.1,000,000 received on 16 October 2016 from the Ministry of Local Government and Provincial Councils under Pradeshiya Sabha Augmentation Programme had been returned on 07 August 2017 without utilizing for any development activity.

(c) Solid Waste Management

A Compost Yard had been constructed by the sabha at Welendawa estate. A sum of Rs.133,137 had been earned from the sale of compost manure produced by utilizing decaying waste while the non-decaying waste had been stored at a store room and in

a building located in Compost Yard which was not a sustainable and viable solution as regards waste management. The Sabha had so far not taken measures either for recycling, marketing or disposing of otherwise of the non-decaying waste. The environment permit which was issued in respect of the land for waste management had been expired on 02 January 2017 and no action taken to renew the same for 2017 as per instructions laid down by the Central Environmental Authority.

(d) Sustainable Development Goals

The Sabha had not formulated long-term plans to enhance living condition and health of the people in the area of authority through globe indicators for sustainable development goals and targets in the Agenda 2030 for Sustainable Development

3.2 Management Inefficiencies

The following inefficiencies were observed,

- (a) A land called Welendawa Watta in the extent of Acres 13 and perches 23.83 had been obtained on occupation basis for the purpose maintaining a farm and establishing project of recycling waste available in the area. The following facts were further observed in this regard.
 - (i) Harvest of the ½ acre cinnamon cultivation had not been leased out in 2017.
 - (ii) Income earned from 1 acre banana cultivation had gone down due to poor maintenance.
 - (iii) Neither new cultivations had been established on 4 ½ acre coconut land except 57 coconut trees existed at the time of its acquisition nor action taken to get the yield increased by applying fertilizer for the existing cultivation.
 - (iv) Land portion allocated for inter-cropping had neither been cultivated nor maintained properly.
- (b) At the settlement of money having transferred from one account to another account applicable to preceding year it has been identified as revenue whereby created a balance of Rs.679,696 and no action had been taken to settle the same even during the year under review.
- (c) Action had not been taken to remit to the Department of Inland Revenue the stamp fees totaled at Rs.365,116 being brought forward over a period of 05 years.
- (d) No action had been taken to recover from the Department of Local Government a total sum of Rs.64,013 spent during the year under review as property loan interest of two employees.

3.3 Human Resources Management

Action had not been taken to recover or settle a sum of Rs.112,575 over a period of 03 years recoverable from 13 officers transferred, vacated post, died or retired.

3.4 Assets Management

3.4.1 Idle or Under Utilized Assets

The following observations were made,

- (a) Kubota Mini Tractor worth Rs.400,000 and the Mitsubishi Double Cab worth Rs.625,000 owned by the Sabha remained unutilized.
- (b) 02 Rupavahini Machines received as donation remained idle.

3.5 Identified Losses

The following observations were made,

- (a) Due to non payment of loan installments payable to the Local Credit Development Fund, an additional sum of Rs.693,022 had to be paid as interest.
- (b) Upon non presentation of information and non payment of contribution payable to the Employees Trust Fund required to be sent by the sabha from January 2006 to December 2010 a surcharge of Rs.141,719 had been paid and no action had been taken against responsible officers in this regard.

3.6 Procurement

3.6.1 Supplies and Services

Procurement procedure had not been followed at the purchasing amounting to Rs.143.684.

4. Accountability and Good Governance

4.1 Budgetary Control

A considerable variance as indicated below was observed between budgetary and actual income/expenditure during the year under review. Therefore it was observed that the annual budget had not been adopted as effective financial management controlling mechanism.

- (a) The total of non-achieved targets with regard to 06 revenue captions amounted to Rs.27,188,374, the value of which ranged between 20 percent to 46 percent.

(b) Savings amounting to Rs.35,706,401 in respect of 08 expenditure captions were shown, the value of which ranged between 27 percent to 96 percent.

(c) Payment of interest dividends and bonuses amounted to Rs.9,951,303 the value of which being equal 1,856 percent of the estimated value.

4.2 Internal Auditing

Although two Internal Auditors had been appointed on two occasions during the year under review, no sufficient internal auditing done.

4.3 Implementation of Audit and Management Committees

Action had not been taken even at the end of the year under review to establish Audit and Management Committees in terms of the provisions of the Audit Management Committee Circular No.DMA/2009 (1) dated 09 June 2009.

5. Systems and Controls

Shortcomings observed at auditing were brought to the attention of the Sabha and special attention shall be paid to the below described fields of systems and controls.

System	Defects
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(a) Accounting	(i) Non settlement of account balances being brought Forward unchanged.
	(ii) Variance existed between balances of Financial Statements and those appeared in the related schedules.
(b) Maintenance of vehicles	(i) Non-testing of fuel burning in vehicles
	(ii) Having taken no action to repair or dispose of vehicles kept in idle.
	(iii) Non submission of daily running charts for auditing
(c) Budgetary Control	(i) Targeted revenue had not been earned under 06 revenue captions.

- (ii) Expenditure being made in excess of the estimated amount in respect of one expenditure caption.
- (d) Maintaining of Registers
 - (i) Vehicle Register had not been maintained by the Sabha.
 - (ii) Not maintained a damage/loss register
 - (iii) Fixed Assets Register had not been updated
 - (iv) Not maintained a fixed Asset Register on computers.
- (e) Staff Management
 - Action had not been taken to recover loan balances of officers served the Sabha.
- (f) Revenue Collection
 - (i) Formal arrangement had not been implemented to recover revenue in arrears.
 - (ii) Revenue from Stamp fee had not updated.
 - (iii) Not declared rate recovery zones for collecting revenue.