

**Yatyanthota Pradeshiya Sabha**  
**Kegalle District**

**1 Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2017 had been presented to audit on 23 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 31 July 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 Yatyanthota 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 matters were observed.

- (a) The rates and taxes received in advance during the year under review on behalf of the following year amounting to Rs.230,626 had been credited to the revenue debtors account and as such the revenue debtors and revenue received in advance as at 31 December 2017 had been understated by similar amount.
- (b) Contributions of Employees Provident Fund, contributions of Employees Trust Fund and contributions of Public Service Provident Fund recovered from the employees amounting to Rs. 31,512, Rs.7,878 and Rs.159,067 respectively had been credited to the expenditure codes and as such the surplus of the year had been overstated by Rs.198,457.
- (c) The stamp fees relating to the previous year amounting to Rs.3,215,029 received during the year under review had been brought to account as a revenue for the year under review and as such the surplus of the year had been overstated by similar amount.
- (d) The trade stalls rent received in advance amounting to Rs.7,400 had been credited to the accumulated fund and as such the revenue received in advance had been understated by similar amount.
- (e) A sum of Rs.31,875 received from the sales of 17 garbage buckets had been credited to capital expenditure code and as such the capital expenditure had been understated by similar amount.
- (f) The value of 15 works completed in the year 2017 on the provisions of the various Departments and Ministries amounting to Rs.6,706,234 had been brought to account as the expenditure of the year for which provisions were received without being taking action to account as debtors and creditors of the year 2017.

- (g) Employees security deposits investments amounting to Rs.75,700 as at 31 December 2017 had not been brought to account as investments in the financial statements.

**1.3.2 Unreconciled Accounts**

The following matters were observed.

- (a) The balances of 06 items accounts as at the end of the year under review as per the financial statements totalled Rs.16,219,744 whereas the balances as per the subsidiary registers/ reports relating to that totalled Rs.9,305,189 thus resulting a difference of Rs.6,914,555.
- (b) A difference of Rs.13,320 was shown between the value of the fixed assets and the balance of the revenue contribution to capital outlay account.

**1.3.3 Suspense Accounts**

Action had not been taken to settle the credit balance of Rs.65,621 remained for a number of years in the suspense account.

**1.3.4 Accounts Receivable and Payable**

**(a) Accounts Receivable**

The value of the balances of the accounts receivable older than 01 year as at 31 December 2017 totalled Rs.5,699,626.

**(b) Accounts Payable**

The value of the balances of accounts payable older than 01 year as at 31 December 2017 totalled Rs.585,438.

**1.4 Non-compliances**

**1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions**

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
-----	-----	-----
(a) Sections 67 and 68 of the Urban Development Authority Act No.41 of 1978.	Rs.	- Even though, 148 development licences had been issued from the year 2012 to 2016, the certificate

of conformity had been issued only for 13 out of that.

- (b) National Environmental Act No.47 of 1980 as amended by the Acts No.53 of 2000 and No.56 of 1988. 48,000 Twelve business institutions of which should be obtained environment licences had not obtained the licences and as such the revenue had been deprived.

## 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 2017 amounted to Rs. 8,042,506 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.1,910,095.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears Revenue

The information with regard to estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	<u>2017</u>				<u>2016</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	4,346,356	4,346,356	3,779,165	884,801	4,238,510	4,238,510	3,842,178	1,204,113
(ii) Lease Rent	4,391,785	4,391,785	4,177,122	77,240	3,771,695	3,996,695	4,124,220	111,983
(iii) Licence Fees	720,000	720,000	1,107,518	-	695,000	695,000	944,847	-
(iv) Other Revenue	12,829,200	12,829,200	4,188,623	17,415,000	11,708,560	11,708,560	3,074,284	18,080,000

#### 2.2.2 Performance in Collection of Revenue

A comparison of the estimated revenue of the year under review, with the revenue collected showed an increase in revenue collected with regard to the revenue items such as rates and taxes, lease rent, licence fees and other revenue by 87, 95, 154 and 33 per cent respectively.

### **2.2.3 Rates and Taxes**

The following matters were observed.

- (a) In an instance of any rate or acreage tax remaining unpaid, the action should be taken to recover the money on a restraining order by selling the property of the owner of the place for which should recover the rates. Nevertheless, it was observed that the legal action had not been taken to recover the rates and acreage tax amounting to Rs.113,851 remained unrecovered for over 05 years from the land owners and 44 places according to the test check carried out.
- (b) The rates had been recovered from the year 2012 based on the assessment made in the year 2010 while action had not been taken to update the assessment and to recover rates.

### **2.2.4 Licence Fees**

The following matters were observed.

- (a) A formal survey had not been conducted in respect of the places that should be paid licence fees, industries tax and business tax in the authoritative area of the Sabha and the revenue registers had not been maintained as per the recovery of fees.
- (b) According to the test check carried out relating to the Register of Receipts of licence fees the fees amounting to Rs.32,900 had not been recovered from 42 institutions.
- (c) Four enterprises who had obtained the licences of Central Environmental Authority had not been obtained trade licences.

### **2.2.5 Lease Rent**

The following matters were observed.

- (a) Even though, the Yatiyanthota Pradeshiya Sabha had been established as a new Pradeshiya Sabha in terms of the Pradeshiya Sabha Act No.15 of 1987, the new agreements had not been entered into with the owners of the trade stalls of the Public Market Complex. The agreements had been entered into with the owners by the name of Kegalle Sanwardana Sabah a during the period from 1986 to 1988. As action had not been taken to update the lease agreements the revenue could have been earned by the Sabha had been deprived.
- (b) The agreements had been entered into in the year 2011 to lease out eight trade stalls situated in the Yatiyantota bus stand. Even though, the valid period of the lease had limited to one year, five years had elapsed after the valid period. But action had not been taken for entering into new agreements.

### **2.2.6 Other Revenue**

#### **Advertisement Hoarding Charges**

A survey for the year under review had not been carried out in respect of the permanent advertisement hoardings installed in the authoritative area of Sabha while action had not been taken to recover the receivable charges for 03 advertisement hoardings amounting to Rs.37,200.

### **2.2.7 Court Fines and Stamp Fees**

Court fines and stamp fees recoverable as at 31 December 2017 from the Chief Secretary of the Provincial Council and other authorities amounted Rs.9,832,683 and Rs.4,699,711 respectively.

## **3. Operating Review**

### **3.1 Performance**

The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters on public health, public utility services and public roads, comfort, facilities and wellbeing of the people under Section 03 of the Pradeshiya Sabha act Are given below.

#### **(a) By -laws**

Even though, the by-laws should be imposed to execute 12 main activities under Section 126 of the Pradeshiya Sabha Act, by-laws had been imposed only on 06 activities by 31 December 2017.

#### **(b) Activities not Implemented**

Two works valued at Rs.300,859 which should be accomplished under Regional Development Plan 2016 on the provisions of the Chief Ministry of the Sabaragamuwa Provincial Council had not been commenced even by 31 December 2017.

#### **(c) Solid Waste Management**

The following matters were observed.

- (i) The solid waste such as plastic and polythene remained after the production of composts fertilizer had been dumped in the premises of the project but a methodology for recycling had not been implemented.
- (ii) As a retaining wall was not available the waste was flowing over the lands beyond the premises and as such a risk of arising environmental problems had shown.
- (iii) As the permanent water supply method was not available for the Solid Waste Management Project, the water had been supplied by the water bowsers. As such a problematic position had arosed in fulfilling the water requirements for the fertilizer production activities and the employees.
- (iv) Electronic waste had been dumped in the premises while action had not been taken to dispose.

(d) **Environmental Issues**

The sabha had not provided the gully service after July 2016. If a private place belonging to the applicant was available only to dispose the gully waste, this service had been provided. There were 2,028 rate payers living within the Yatiyanthota Urbabn Assessment limits while attention had not been paid in respect of planning a suitable arrangement to provide the gully service.

(e) **Sustainable Development Goals**

As the Sabha had not aware the 2030 Agenda relating to the Sustainable Development Goals, the long term plans to upgrade the livelihood and the health of the people of the authoritative area of the Sabha had not been prepared through global indicators for that objectives even by May 2018.

**3.2 Human Resources Management**

Action had not been taken to recover the employees loan balances amounting to Rs.175,155 older than 05 years recoverable from 41 employees who employed in the Sabha and transferred on station transfers, deceased and vacated of posts.

**3.3 Assets Management**

**3.3.1 Idle/ Under- utilized Assets**

Five motor vehicles and 01 accessory valued at Rs.3,390,540 had remained idle during the period ranging from 03 years to 08 years.

**3.3.2 Assets not vested**

Action had not been taken to vesting the ownership to the Sabha of 05 motor vehicles provided by the Ministry of Local Government and Provincial Councils and 05 motor vehicles provided by the Sabaragamuwa Provincial Council valued at Rs.36,672,420.

**3.4 Procurements**

**3.4.1 Procurement Plan**

A Procurement Plan had not been prepared for the year under review.

**4. Accountability and Good Governance**

**4.1 Budgetary Control**

Out of the net provisions made for the year under review provisions totalling Rs.4,992,636 had not been utilized for the Sabha activities comprising 100 per cent of provisions made for 40

Objects totalling Rs.2,461,084 and 50 per cent of provisions made for 22 Objects totalling Rs.2,531,552.

#### 4.2 Audit and Management Committees

Action had not been taken to establish and implement Audit and Management Committees.

#### 5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

<b>System</b> -----	<b>Defficiency</b> -----
(a) Accounting	(i) Failure to settle the suspense account. (ii) Lapsed deposits not credited to revenue. (iii) Failure to update the Register of Fixed Assets.  (iv) Clear narrations not presented for journal entries. (v) Understatements and overstatements of revenue, expenditure and assets liabilities in the accounts. (vi) Non-reconciliation of balances of ledger accounts and registers.
(b) Budgetary Control	Significant percentage of savings from net provisions on expenditure codes.
(c) Revenue Administration	Lease rent not assessed in due periods.
(d) Motor Vehicles Control	(i) Non-submission of Daily Running Charts (ii) Failure to update log books of motor vehicles. (iii) Failure to take action on the condemned vehicles and vehicles to be repaired.