

Yatinuwara Pradeshiya Sabha
Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to the audit on 27th of March 2019, while the summary report of Auditor General on the financial statements and detailed management report had been forwarded to the Chairman on 31st May 2019 and 30th June 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for the qualified opinion section, of this report, Financial statements give a true and fair view of the financial position of the Yatinuwara Pradeshiya Sabha as at 31st December 2018 and its financial performance for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the Qualified Opinion

1.3.1 Accounting Deficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) A Rs.1, 112,000 valued cab had been written off from the books of accounts.	Accounts should be corrected.	Correction will be make through the financial statement in 2019.
(b) During the year under review, income received in advance had been overstated by Rs.399,028, and warrant charges had been under stated by Rs.133,717 while creditors' balance relevant to 03 work shad been overstated by Rs.167,210.	Accounts should be corrected.	Correction will be made through the financial statement in 2019.
(c) The loan instalment paid during the year amounting to Rs.3,170,966 had been accounted as expenses.	Accounts should be corrected.	Action will be taken to rectify the error in future.
(d) 02 works which were not agreed upon during the year under review amounting to Rs.400,000 had been recognized under works creditors, while 02 works for which payment was not paid amounting to Rs.398,595 had not been recognized as creditors.	Accounts should be corrected.	Correction will be made through the financial statement in 2019.

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| (e) | Received tax during the year under review amounting to Rs.444,307 had not been accounted as income. | Accounts should be corrected. | Tax on sale of land had been credited to consolidated fund, by cross entries. |
| (f) | The value of steam engine, which was received as donation in 2011, had not been accounted. | Value should be recognized and accounted. | Value will be estimated and accounted in future. |

1.3.2 Non- Reconciled Accounts

Audit Observation

Recommendation

Comments of the Accounting Officer

A difference of Rs.4,980,739 was observed between the balances of 03 subjects in the financial statements and the balance of source documents.

Correction should be made in the accounts by reconciling the differences.

Action will be taken to correct in future, by reconciling with the account.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

Audit Observation

Recommendation

Comments of the Accounting Officer

While the aggregate of 08 balances of accounts receivable as at 31st December 2018 amounted to Rs.124,382,593 and the total balance that had elapsed the period of 5 years was Rs.3,748,673 and the total balance that had elapsed the period of 1 to 5 years amounting to Rs.63,109,684 had been included therein.

Action should be taken to collect accrued income immediately.

It is informed that action will be taken to recover the remaining balance of Rs.102,469,457 in future, while Rs.21,913,136 out of the receivable balance had already been collected.

(b) Accounts Payable

Audit Observation

Recommendation

Comments of the Accounting Officer

While the aggregate of accounts payable balances as at 31 December 2018 amounted to Rs.1,720,914 and the total balance that had elapsed the period of 1 to 5 years amounting to Rs.4,508,437 had been included therein.

Payable balances should be settled.

It had been informed that Rs.20,672,840 had been paid, up to the date of providing answers.

1.3.4 Lack of Documentary Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
The aggregate of Rs.14,470,540 in relating to 02 accounting subjects could not be satisfactorily vouched in audit, due to the non-presentation of relevant information such as deeds, transfer orders, Debtor register and other source documents.	The evidences which verify the account balances in the financial statements should be presented.	It is informed that the actions will be taken in future to prepare deeds, and Rs.473,640 out of the debtors balance had been carried forward from 2007, while source document cannot be found.

1.4 Non-Compliance

Non-Compliance with Laws Rules, Regulations and Management decisions

Non-Compliance with Laws Roles, Regulations and Management Decisions are as follows

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) The Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R.571	The works initial contract retention deposits which were received in 120 instances since 2012 to 2016 had not been credited to revenue or redeemed.	It should be complied with Financial regulations.	Steps are being taken to settle.
(b) Pradeshiya Sabha (Financial and Administration) rules of 1988			
(i) Rule (19)	Although, all counter foil should be kept under the secretary of council, those were kept under the officer in charge of store.	Books consist of counter foil should be kept in the possession of council secretary.	Action will be taken to correct.

(ii)	Rule (61)	Action had not been taken to document the details about industries, trading businesses, and professions who should pay taxes, after implementing an survey.	It should be documented, after carrying out an surveyed.	Action will be taken to document under an accurate method in future.
(c)	Procurement Guidelines -----			
(i)	Section 4.2(b)	A master procurement plan had not been prepared for the year under review.	A procurement plan should be prepared.	Action will be taken to prepare correctly, in future.
(ii)	Section 4.2.2(a)	A procurement time schedule had not been prepared.	A procurement time schedule should be prepared.	Action will be taken to prepare correctly, in future.
(d)	Special amendment act relating to local government authorities No:48 of 1971 and Public finance Circular No:434 of dated 31 December 2008	Although, an assessment on rates should be carried on once in 5 years, a new assessment had not been carried on after the year of 2006.	Assessment of rates should be implemented once in definite time period.	Action had been taken to carry out new assessment on 14 th June 2018 and it is informed that thereafter, taxes will be collected as per the new assessment.

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 31st December 2018 amounted to Rs.36,551,386 as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.42,381,202.

2.2 Revenue Administration -----

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Revenue in arrears -----

The details of Estimated Revenue, Revenue billed, Collected Revenue and Revenue in arrears for reviewed year and preceding year are as follows.

Income Source	2018				2017			
	Estimated Revenue	Revenue Billed	Collected Revenue	Total Arrears as at 31 st December	Estimated Revenue	Revenue Billed	Collected Revenue	Total Arrears as at 31 st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	3,469,560	3,461,239	3,063,167	2,944,787	4,780,560	4,833,422	5,086,060	3,534,914
(ii) Rent	250,000	201,665	201,665	-	240,000	87,000	87,000	-
(iii) Licence fee	1,400,000	1,558,800	1,558,800	11,145	2,450,000	2,268,350	2,268,350	11,145
(iv) Other income	46,450,000	38,068,405	9,694,359	94,478,179	49,758,520	40,494,541	19,449,172	65,549,527
Total	51,569,560	43,290,109	14,517,991	97,434,111	57,229,080	47,683,313	26,890,582	69,095,586

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Out of the billed rates for the year under review amounting to Rs.3461,239, a sum of Rs.1,617,856 or 47 percent had not been recovered.	Action should be taken to recover the rates in arrears	Action will be taken to reduce the deficit by implementing mobile services and issuing red notice.
(b) Out of the balance of accrued rates as at 31 st December 2017 amounted to Rs.3,211,443 a sum of Rs.1,997,199 or 62 percent had not been recovered.	Action should be taken to recover the rates in arrears	Action will be taken to collect income in arrears through revenue collecting programs.
(c) Receivable rates from 72 public properties amounting to Rs.960,020 which had been billed since 10 to 13 years of period had not been recovered.	Action should be taken to recover the rates in arrears	Even though, relevant public organizations were informed, the arrears had not been recovered.

2.2.3 Court Fines and Stamp Duties

Audit Observation	Recommendation	Comments of the Accounting Officer
The receivable court fines and stamp duties as at 31 st December 2018 was Rs.1,672,246 of Rs.92,474,328 respectively.	Receivable court fines and stamp duties should be collected.	Action will be taken to collect money.

3. Operating Review

3.1 Performance

Following matters were revealed with regard to duties to be fulfilled by Sabha as per the section 3 of Pradeshiya sabha Act in relating to regulation and control of all the matters relating to Public health, Public utility services and public highways, comfort, convenience and welfare of the people

(a)	Allocation not Provided -----	Recommendation -----	Comments of the Accounting Officer -----
	Audit observation ----- In the year under review, a sum of Rs.128,758 which had not been allocated in the budget was spent to pay interest.	Required provisions should be made.	Such mistakes will not be made in future.
(b)	Non Implementation of Functions -----	Recommendation -----	Comments of the Accounting Officer -----
	Audit Observation ----- The amount of Rs.943,918 had not been utilized for the intended function out of the total of Rs.1,150,000 allocated for 02 capital expenditure head.	Allocation should be utilized according to the objective.	Idea had not been mentioned.
(c)	Solid Waste Management -----	Recommendation -----	Comments of the Accounting Officer -----
	Audit Observation ----- Even though Rs.1,000,000 had been allocated for the construction of room to store manure and compost yard in under stacking system, relevant function had not been fulfilled during the year under review.	Action should be taken to construct the compost yard.	Since, the provisions were not enough, It is expected to operate such program this year.
(d)	Sustainable Development Goals -----	Recommendation -----	Comments of the Accounting Officer -----
	(i) While, every government institution should act, As per The United Nations "Agenda" in 2030 on sustainable development, however the Sabhahad not been informed about how to act inrelating to the work falls under its scope in respect of the year under review.	The Sabha should pay attention on the matters, relevant to The United Nations "Agenda" in 2030 on sustainable development.	A special attention will be paid in future.

(ii) Action had not been taken to identify Sustainable development objectives, goals and milestone of which goals to be achieved and indicator for assessthe targets achievement.	Action should be taken to identify the indicator for achievement of sustainable development goals.	It will be act to identify indices in future.
3.2 Management Inefficiencies		
----- Audit observation	----- Recommendation	----- Comments of the Accounting Officer
----- Although, It had lapsed a long period of time after declaration of the judgment of the cases No: L 20868, 85317, 85316 and Ritt19/2005 in relating to unauthorized construction, the Judgment of cases had not been taken as.	----- Unauthorized construction of a court order should be taken as.	----- Action will be taken as per the legal advice as soon as possible.
3.3 Human Resource Management		
----- Audit Observation	----- Recommendation	----- Comments of the Accounting Officer
(a) In comparing the actual carder with approved carder there was 12 vacancies in 08 designationsat the end of the review year.	----- Action should be taken to fill the vacancies within approved carder.	----- It hadalready requested approval for recruitment.
(b) A total of Rs.377,541 loan balance of 03 officers who transferred of, retired and left the service had not been recovered, even 06 to 07 years of period hadelapsed.	----- Action should be taken to recover the loan.	----- Legal action will be taken to recover the dues.
3.4 Operational Inefficiencies		
----- Audit Observation	----- Recommendation	----- Comments of the Accounting Officer
(a) Water had been distributed to the 575 consumers under 06 water supply schemes of Sabha,withoutany filtering.	----- Steps Should be taken to provide purified water.	----- The all water supply schemes had already been tested and chlorinated.
(b) Action had not been taken still by the year under review, to collect rates from properties in 05 areas which were identified as developed areas in the year of 2013.	----- Rateshould be collected based on the rate assessment.	----- The 05 developed areas were identified, the rate will be charged as they were assessed to tax.

3.5 Transactions that are Controversial Nature

Audit Observation

According to the book of registered vehicle, the engine number is contrary to the number mention on engine itself. Moreover, no evidence about on the switch/changeof engine had been provided for audit

Recommendation

Relevant action should be taken after testing.

Comments of the Accounting Officer

The commissioner of local authority had been informed to perform a prime investigation with this regard to the assistant commissioner of local authority, with a copy forwarded to me also.

3.6 Assets Management

3.6.1 Safety of Asset not Secured

Audit Observation

- (a) The stalls No:01 in ground floor of old Sabha building belongs to Sabha had been allowed to use an external party in informal manner..

Recommendation

Sabha property should be given regularly.

Comments of the Accounting Officer

Information has been sent to the Department of Local Government in order to take the future action.

- (b) Non-Acquired Assets

Action had not been taken to acquire 02 vehicles belongs to Sabha, which were accounted in the year under review.

Action should be taken to acquire ownership.

Action will be taken to disclose by accounting entries, in future.

3.6.2 Idle or Underutilized Assets

Audit Observation

11 items of Non-current assets of Sabha which valued to Rs.4,960,516 had remained idle or underutilized.

Recommendation

Assets belongs to Sabha should be utilized.

Comments of the Accounting Officer

It is informed that, 02 vehicles will be repaired and use in future, while another 07 vehicles are in place to auction and a tractor would be gave to Agarapathana Pradeshiya Sabha and galvanized pipes would be used to earn income.

3.7 Procurement

3.7.1 Annual Procurement Plan

Audit observation

Rs.58,836,218 of procurement activities were performed in the year under review, but a procurement plan had not been prepared.

Recommendation

Procurement plan should be prepared

Comments of the Accounting Officer

It had not been prepared in 2018, but prepared for 2019.

3.7.2 Contract Administration

Audit Observation

In the development of the dam near the canal bridge coupling Gannoruwa West, 10.06 meter long retaining wall had been built instead of the length of the retaining wall to be built in accordance with the 9.10 meters, without obtaining the approval and supervision. Although, Retaining wall height of each layer should have 0.45 meters since the height was of only 0.35 meter in accordance with quantity sheet, even the wall was less about a foot in height, and without constructing in accordance of estimates, Rs.111,843 payment had been made.

Recommendation

Construction should be done as per the estimate.

Comments of the Accounting Officer

According to plans, the changes had been occur in the construction. So proper method for obtaining the approval for changes will be arranged.