

Yakkalamulla Pradeshiya Sabha
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 10 June 2014 while Financial Statements relating to the preceding year had been submitted on 28 March 2013. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabah on 23 December 2014.

1.2 Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Yakkalamulla Pradeshiya Sabah as at 31 December 2013 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 Non-compliance with Public Sector Accounting Standards

Although all Local Authorities should prepare financial statements according to Public Sector Accounting Standards in terms of circular No. PED/54 dated 19 January 2010 of the Director General of Public Enterprises with effect from 01 January 2011 those accounting standards had not been followed.

1.3.2 Accounting Policies

Accounting Policies followed by the Sabah had not been disclosed with the accounts.

1.3.3 Accounting Deficiencies

The following observations are made.

- (a.) Although the Members Allowance for the year under review was Rs. 683,000, a sum of Rs.229,250 only had been shown in the financial statements after deducting a sum of Rs. 453,750 as Motor Cycle Loans Instalments. Due to that, recurrent expenditure for the year under review had been understated in a sum of Rs. 453,570.
- (b.) Although the expenditure relating to 12 items of expenditure was Rs. 16,809,982, when copying the expenditure shown in the Votes Ledger to the Main Ledger it had been taken as Rs. 16,953,446. Due to that, expenditure for the year under review had been overstated in a sum of Rs. 143,464 in the financial statements.
- (c.) Payments made during the year under review for uniforms of school children and for workshops of the pre-school children amounting to Rs. 118,970 had been shown as capital expenditure in the financial statements instead of accounting as recurrent expenditure.
- (d.) The sum of Rs.488,539 payable as at 31 December of the year under review for construction works of Pahalavila Bridge had been omitted in the accounts.
- (e.) Capital Grants and Debtors of the year under review amounting to Rs. 12,891,356 had been understated due to exclusion of Capital Grants Receivable for 05 works as at 31 December the year under review in the financial statements.

- (f.) A sum of Rs.11,136,114 received from the Local Government as salary reimbursements had been shown under one programme without being apportioned among all the programmes.
- (g.) Although Value of Stock of Electrical Equipment as at 31 December of the year under review was Rs. 164,391, it had been shown as Rs. 117,077 in the financial statements. Due to that, Equipment had been overstated in a sum of Rs. 47,314 in the financial statements.
- (h.) A sum of Rs. 784,210 spent for construction of buildings during the year under review had not been capitalized.
- (i.) A Statement of Accounts was not furnished to show the operational results of the bilateral business carrying on, in the land belongs to Sabah in Velendawa

1.3.4 Non-reconciled Control Accounts

A difference of Rs. 1,012,710 was observed between the balances shown according to the Control accounts and relevant subsidiary registers relating to 04 items of accounts.

1.3.5 Lack of Evidence for Audit

Ownership Deeds, updated Register of Fixed Assets, Schedules and updated Loan Registers etc. were not furnished to audit with regard to transactions totalling Rs.97,872,904.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2013 amounted to Rs. 677,925 as against the excess of recurrent expenditure over revenue for the preceding year amounted to Rs. 261,989.

2.2 Revenue Administration

2.2.1 Acreage Tax, Trade Licenses and Lease Rent

Action had not been taken during the year under review as well to recover Acreage Tax amounting to Rs. 243,193, trade License Fees amounting to Rs. 73,250 and Lease Rent amounting to Rs. 204,672 for the year under review and the previous years amounting which should have been recovered to the Sabah during the year under review 158 and 159 of the Pradeshiya Sabah Act No. 15 of 1987.

2.2.2 Court Fines and Stamp fees

Court Fines amounting to Rs.411,210 and Stamp Fees amounting to Rs.4,026,575 were outstanding to be recovered from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013.

2.2.3 Rates

Although an area with facilities such as roads networks, electricity, telephones, water supply and scavenging, similar to Yakkalamulla Town which could be treated as developed area exists, action had not been taken to identify such areas and recover rates in terms of Sections 134 (i) and (ii) of the Pradeshiya Sabah Act no. 15 of 1987.

3. Operational Review

3.1 Management inefficiencies

Statement of Assets and Liabilities as required in the Act No. 01 of 1975 as amended by the Declaration of Assets and Liabilities Act No.74 of 1988 had not been provided by and 09 Members including the Vice Chairman of the Pradeshiya Sabha for the year.

3.2 Operating inefficiencies

Following observations are made.

3.2.1 Staff Loans

Action had not been taken to recover loan balances totalling Rs. 41,751 due from 12 employees who were in service of the Sabah and left on transfers or retired or resigned.

3.2.2 Non-payment of Loans obtained from the Local Loans and Development Fund

A sum of Rs. 10,231,092 had been obtained by the Sabah from the Local Loans and Development Fund for the Project for construction of the Ayurvedic Medical Centre and the Head Office Building under Asian Development Bank Loan Assistance up to 31 December 2013. A sum of Rs.2,043,227 as loan installments and a sum of Rs. 2,870,707 as interest totalling to a sum of Rs.4,913,934 was payable to the Local Loans and Development Fund as at 20 March 2014, date of audit, due to non-payment of loan installments and loan interest after third quarter of 2010.

3.2.3 Non-settled Balances

Action had not been taken to identify and settle a loan balance of Rs.1,225,095 which is being brought forward continuously for more than 05 years relating to 05 items of accounts.

3.2.4 Improper Payments

In spite of Rs. 5,000 payment made on 21 June 2013, to a member of the Pradeshiya Sabha as Members Allowance, a sum of Rs. 5,000 had been paid again as Members Allowance for June 2013 on 19 July 2013 out of the Sabah Fund.

4. Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Revenue Administration
- (d.) Assets Management