

**Yatinuwara Pradeshiya Sabha****Kandy District****1. Financial Statements****1.1. Presentation of Financial Statements**

The financial statements for the year under review had been presented for audit on 31 March 2014 and the financial statements for the preceding year had been presented on 28 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 09 December 2014.

**1.2. Opinion**

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Yatinuwara Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations and cash flows for the year then ended.

**1.3. Comments on Financial Statements****1.3.1. Accounting Deficiencies**

The following deficiencies are observed.

- (a) Expenditure on salaries and allowances amounting to Rs.23,626,556 had been incurred in respect of five programmes, and a sum of Rs.17,756,306 received as the relevant salary reimbursements had been brought to account only under one programme.
- (b) When purchasing stores items, stocks had been directly debited to expenditure account without debiting to the stocks account. Therefore the balance stocks of general, water, electrical and medical, stores had not been brought to account at end of the year
- (c) The receipts and issues of aid amounting to Rs.285,000 received for Ayurveda in the year under review, had not been brought to account.

### **1.3.2. Un-reconciled Control Accounts**

The total balances of sundry creditors had been Rs.1,855,553, whilst the total balances according to the relevant schedules had been Rs.1,050,911. Therefore a difference of Rs.804,642 was observed.

### **1.3.3. Accounts Receivable and Payable**

#### **a) Accounts Receivable**

The value of total balances of accounts receivable as at 31 December 2013 amounted to Rs.63,163,154 and out of this, the total account balances exceeding 1 year, amounted to Rs.45,081,116.

#### **b) Accounts Payable**

The value of total balances of accounts payable as at 31 December 2013 amounted to Rs. 14,863,488 and out of this, Rs.9,191,616 represents expenditure creditors and of this, the total account balances over one year amounted to Rs.5,659,538. Out of this balance Rs.5,015,100 was further payable as at 30 September 2014.

### **1.3.4. Lack of Evidence for Audit**

Transactions totalling Rs.5,735,860 could not be examined satisfactorily during the audit, due to non-submission of required information to the audit.

### **1.3.5. Non-compliance with Laws, Rules and Regulations**

The Section 23 of National Environmental Act No. 47 of 1980, as amended by Acts No. 56 of 1988 and No. 53 of 2000, stipulates the necessity of obtaining environmental licences for the listed businesses, and the Sabha had been deprived of an income of Rs.104,000, as 26 such businesses had not obtained environmental licences.

## **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 2013 amounted to Rs.36,619,226, as compared with the excess of revenue over recurrent expenditure amounting to Rs.20,344,401 for the preceding year. Therefore the financial result had been improved by Rs.16,274,825.

## **2.2. Analytical Financial Review**

Though a sum of Rs.17,756,306 had been received as salary reimbursement for the year under review, Rs.23,626,556 had been paid as salaries and allowances. Accordingly, it is observed that a sum of Rs.5,870,250 had been spent from the income of the Sabha, for the payment of salaries of the employees. This amount had been 11% of the recurrent revenue of the Sabha, excluding the salary reimbursement.

## **2.3. Working Capital Management**

The ratio between total current assets and current liabilities was 6:1, whilst the ratio of 7:1, in the preceding year was not in a superior level. Further, 49% of the total current assets amounting to Rs.50 million had been utility services recoverable, and out of this 45% amounting to Rs.46 million represent debtors. 62% of total current liabilities amounting to Rs.09 million represent works and sundry creditors.

## **2.4. Revenue Administration**

### **2.4.1. Performance on Revenue Collection**

The total income in arrears as at 31 December in the year under review was Rs.5,537,242.

### **2.4.2. Court Fines and Stamp Fees**

The court fines amounting to Rs.728,873 and stamp fees amounting to Rs.4,535,746 had been receivable as at 31 December 2013, from the Chief Secretary of the Provincial Council and other authorities. Out of this, a balance of Rs.84,132 was further due as at 30 September 2014.

### **2.4.3. Transmission Tower Charges**

- (a) The Sabha possessed the files relevant to 11 Transmission Towers, whilst 02 towers had been, constructed without obtaining the approval of the Sabha.
- (b) According to the Gazette Extra Ordinary Notification No. 1597/8 dated 17 April 2009, of the Republic of Sri Lanka, a fee of Rs.10,000 should be charged for every 05 metres in height. But action had not been taken to carry out inspections by technical officers and collect charges relevant to unauthorised towers.

(c) Though annual business taxes should be collected according to the companies which had been provided with communication facilities through 12 transmission towers, except for the companies Dialog, Telecom and Hutchison, the annual business taxes had not been collected from other companies. The certificate of conformity had not been obtained for construction of these towers as well.

### **3. Operating Review**

#### **3.1. Management Inefficiencies**

The following matters are observed.

##### **3.1.1. Purchase of Water Meters**

30 Water metres of Kent brand had been purchased from New Central Hardware on 29 October 2013 for the Water Project, spending Rs. 157,500 at the rate of Rs.5,250 per unit. Kent water metres of the same type had been purchased for Pathadumbara Pradeshiya Sabha as well during the same period, at the rate of Rs.4,700 per unit, from Upul Hardware Stores. Since purchasing had been carried out without paying attention to the competitiveness and economy, Sabha had incurred a loss of Rs.16,500, at the rate of Rs.550 per water metre.

##### **3.1.2. Block-out and Selling Land**

The following matters are observed.

- i. The approval had been obtained to block-out and sell the land “Green City” situated in, Boanga Walawwatta, Kudaoya, Pilimathalawa, and according to the survey plan submitted the land comprises of an area of 02 acres, 01 rood and 31.75 perches. According to the Urban Development Authority Act, when lands over 01 hectare is blocked-out, 10% of the land area excluding the roads in the land, should be allocated for common facilities. But, it was observed in the survey plan that the land area of 06 perches less than the extent stipulated had been allocated for this.
- ii. The certificate of conformity had not been obtained for sub division of the land.
- iii. During the physical inspection of the stated land, carried out on 02 July 2014, it was revealed that an unauthorised building had been under construction.

### **3.1.3. Employees Loans**

Loans amounting to Rs.398,085, due from four retired officers of the Sabha, had not been recovered for a period of over one year.

### **3.2. Idle and Underutilized Physical Resources**

08 vehicles valued at Rs.863,000 had not been utilised for a period of over one year, and action had not been taken, either to bring the vehicles to the operational condition or settle the accounts by disposing them.

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

### **4.1. Procurement Plan**

A procurement plan had not prepared by the Sabha in the year under review.

### **4.2. Audit and Management Committees**

Audit and Management Committees had not been held in the Sabha, during the year under review.

### **4.3. Internal Audit**

Adequate internal audit had not been carried out by the Sabha during the year under review.

### **4.4. Budgetary Control**

When the budget prepared for the year under review was compared with the financial statements for the year, variances in the range of, 17% to 164% in respect of 07 items of revenue, and variances in the range of 22% to 95% in respect of 04 items of expenditure were observed. Therefore it was observed that the budget had not been made use of as a tool of financial control.

## **5. Systems and Controls**

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

- a) Accounting
- b) Budgetary Control
- c) Assets Management