

Yatawaththa Pradeshiya Sabha

Matale District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 26 March 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 sent to the Chairman of the Sabha on 03 October 2014.

1.2 Opinion

I am of opinion that except for the effect on the financial statements of the matters referred to in paragraph 1.3 of my report sent to the Chairman, that the financial statements had been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Yatawaththa Pradeshiya Sabha as at 31 December 2013 and financial results of its operation for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Financial Statements for the year under review had not been prepared in accordance with Public Sector Accounting Standards of Sri Lanka.

1.3.2 Accounting Deficiencies

Following accounting deficiencies were observed in audit.

- (a.) While the value of 02 motor cycles and 98 roofing sheets had not been accounted, action had not been taken remove from accounts the scavenge cart valued at Rs.10,000, but physically not available.

- (b.) 07 Items of Inventory costing Rs. 14,700 and three blocks of land of 01 acre and 41 perches in extent had not been accounted.

- (c.) Value of 06 creditors' balances payable amounting to Rs.12,264 had not been accounted.

- (d.) While Audit Fees amounting to Rs. 17,926 for the year 2012 had been over stated in the accounts, audit fees for the year 2006 had been under stated in a sum of Rs.4,963.

1.3.3 Accounts Receivable and Payable

Following matters were observed.

(a.) Accounts Receivable

While the total of 04 balances of Accounts Receivable as at the end of the year under review amounted to Rs. 303,202, balances that had elapsed more than 05 years included therein amounted to Rs.199,108.

(b.) Accounts Payable

The total of Creditors' Balances Payable as at the end of the year under review amounted to Rs. 7,878,227.

1.3.4 Lack of Evidence for Audit

Transactions totalling Rs. 881,685 could not be satisfactorily vouched in audit, due to non-submission of required information to audit.

1.3.5 Non-compliance with Laws, Rules, Regulations etc.

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
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Pradeshiya Sabha Act No. 15 of 1987

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| (i.) Section 126 | - Water bowser had been given on rent to outside parties without sanctioning bylaws. |
| (ii.) Section 175(1) | - 03 Casual Employees had been engaged in service and a sum of Rs. 364,841 had been paid to them as salaries and allowances without obtaining the approval of the Commissioner of Local government. |

2. Financial 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.5,494,207 as compared with the excess of revenue over recurrent expenditure for the preceding year amounted to Rs.5,337,789. When compared with the preceding year, an improvement of Rs.156,418 was shown in the financial results for the year under review.

2.2 Analytical Financial Review

Few important ratios relating to financial position and financial performance of the Pradeshiya Sabha is shown below.

- (a.) While the surplus to operational income during the year under review had taken a value of 26.25 percent, that value for the preceding year had been 30.41 percent showing a decline of 4.16 percent.
- (b.) While the ratio between the total revenue and expenditure had been 73.75 percent, that ratio for the preceding year had been 68.58 percent showing a decline of 5.17 percent.

2.3 Revenue Administration

2.3.1 Acreage Tax and Water Charges

While the balance of acreage tax in arrears as at the end of the year under review amounted to Rs.146,853, balance of water charges in arrears amounted to Rs. 86,939.

2.3.2 License fees

Arrears of License Fees balance amounting to Rs.47,510 shown in the financial statements as the end of the year under review was being brought forward from a period prior to the year 2004.

2.3.3 Court Fines and Stamp Fees

A sum of Rs.1,419,981 on account of court fines and a sum of Rs.3,082,470 on account of stamp fees was due to be recovered as at 31 December of the year under review, from the Chief Secretary of the Provincial Council and other authorities.

3. Operating Review

3.1 Operational Inefficiencies

Following matters were observed.

- (a.) A cab vehicle and tractor since the year 2007, another cab vehicle since the year 2008 and the other two tractors since the year 2011 had been used for running without obtaining revenue licenses.
- (b.) Out of the 186 applications received for approval of building plans in terms of Section 21 of the Urban Development Authority Act No. 41 of 1978 during the year under review and preceding 02 years, 91 applications had been approved. However, out of those, Certificates of Conformity had been issued only for 03 applications.
- (c.) Difference between the Board of survey report and the ledger account amounting to Rs.45,344 was being brought forward in the accounts without taking action to settle it, since the year 2008.

3.2 Idle/Under-utilized Assets

Two Tractor trailers costing Rs.413,000, a motor cycle costing Rs.28,500 and 05 office equipment of which value could not be assessed remained idle or underutilized over a number of years. The tractor and trailer valued at Rs. 1,463,200 received to the Sabah from the Ministry of Provincial Councils and Local government on 18 June 2013 had not been used for any purpose from that date.

3.3 Un-economic Transactions

Ammonia contents of the water in the tube well-constructed incurring an expenditure of Rs.946,703 during the year under review was more than the standard level and therefore had not been possible to drink water.

3.4 Identified Losses

Following matters were observed.

- (a.) Although a shortage of 217 Library books valued at Rs.15,178 had been revealed during the preceding year, action had not been taken to recover it.

- (b.) Although fines amounting to Rs.36,560 had to be paid during the year under review due to failure in obtaining revenue license for 04 vehicles for the preceding 04 years action had not been taken to fixed responsibility and recover the loss from the persons responsible.

3.5 Contract Administration

Following matters were observed.

Source of Provision	Nature of Work	Amount Spent	Date of Physical Examination	Deficiency
		Rs.		
(a.) Maganeguma	Development by fixing stone blocks along Dunkan Avenue Road	500,000	10.10.2013	<p>(i.) Interconnected stones block in certain places up to the total length of 44 meters had been broken.</p> <p>(ii.) Holes between the stones had not been closed using stone powder.</p> <p>(iii.) After laying stones, surface of the road had not been properly set up using a roller as specified.</p>
(b.) Maganeguma	Development by fixing stone blocks along the road from Selagama, Nagolla to Udugama	500,000	-do-	<p>(i.) Road beginning 17th meter to the end had been washed away due to rain.</p> <p>(ii.) Space between stones had been widened to size of one Inch to 1 ¼ inch.</p>

(c.)	Maganeguma	Development by fixing stone blocks along the road from Udasgiri to, Madadeniya	1,500,000	-do-	(i.) Holes had been made on either side of the roads where block stones had been fixed. (ii.) Block stones of very poor quality had been fixed.
(d.)	Maganeguma	Development of Thalgahagoda Waralathgama Road by fixing Stone Blocks	500,000	07.052014	(i.) A sum of Rs.65,500 had been overpaid due to making the concrete wall for covering the two sides of the road to a thickness of 6×6 inches instead of 9×6 inches thickness to a length of 180 meters. (ii.) While the stone blocks spreaded on the road did not confirm to the specified standard surface of the stones had been broken and damaged.
(e.)	Kandurata Udana	Concreting Dombawela Koskotuwa Road	148,768	23.07.2013	(i.) When examining three places opened after breaking, it was observed that standard concrete mixture had not been applied.

					(ii.) A sum of Rs. 33,256 had been over paid for 2.92 cubic meters at the rate of Rs.11,413 per one cubic meter.
(f.)	Kandurata Udana	Concreting Asgiriya, Dorakumbura, Galkanda Road	198,761	07.05.2014	(i.) Concrete mixture had not been up to specified standard. (ii.) A sum of Rs. 68,478 had been overpaid due to laying concrete to a thickness of 2.6 inches instead of laying to thickness of 4 inches.
(g.)	Kandurata Udana	Concreting Batahirawaththa Road	500,000	07.05.2014	(i.) Road had been cracked across in 14 places from beginning to end. (ii.) A sum of Rs. 169,939 had been overpaid due to laying concrete to a thickness of 2.6 inches instead of laying to a thickness of 4 inches.

4. Accountability and Good Governance

4.1 Budgetary Control

Even after transfer of provisions between revenue and expenditure during the year, variation in a range of 39 percent to 99 percent between the estimated revenue and actual revenue relating to 04 items of revenue were observed. Similar variation in a range of 17 percent to 98 percent between net provision and actual expenditure relating to 45 items of expenditure were also observed. Out of the provision of Rs. 1,263,500 made available for 34 items of expenditure, transfers to other expenditure items or savings had been made without incurring any expenditure. Accordingly, it was observed that the Budget had not been used as an effective tool of management.

5. Systems and Controls

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Special attention of the Sabah is needed in the following areas of controls.

- (a.) Recovery of revenue in arrears
- (b.) Budgetary controls
- (c.) Assets Management
- (d.) Debtors and Creditors Control
- (e.) Stores Control
- (f.) Financial Management