

Yatyanthota Pradeshiya Sabha

Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary to the Sabha on 03 August 2015.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Yatyanthota Pradeshiya Sabha as at 31 December 2014 and its financial performance for the year then ended in accordance with Public Sector Accounting Standards of Sri Lanka.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a) Staff Security Deposits amounting to Rs. 58,447 had not been disclosed in the accounts for the year under review.
- (b) Although the balance of the Contribution from Revenue to Capital Outlay Account should be equal to the cost of Properties, Plants and Equipment as at 31 December 2014, a difference of Rs.4,007,591 was observed between those two balances.
- (c) Although the balance of the Water Supply Creditors was Rs.312,791, it had been shown as Rs.31,291 in the accounts and accordingly a difference of Rs.281,500 was observed.
- (d) Action had not been taken to remove from the accounts the value of 06 items of assets amounting to Rs. 345,300 which had been disposed.

- (e) Ihala Garagoda Crematorium constructed having spent a sum of Rs 112,500 and the sum of Rs. 31,937 spent for Public Market Stalls during the year under review totalling to Rs. 144,437 had not been capitalized.
- (f) Salary Reimbursement Revenue receivable relevant to the month of December of the year under review had been overstated in a sum of Rs. 365,525 in the accounts.
- (g) Adjustments had not been made in the accounts with regard to overpaid pension gratuity amounting to Rs. 37,874 as at the end of the year under review.
- (h) A sum of Rs. 6,900 payable to the Employees Provident Fund and a sum of Rs. 536,422 payable for vehicle repairs had not been shown as Creditors in the accounts.
- (i) Liabilities amounting to Rs. 1,900,000 payable in respect of the crematorium constructed under the Local Loans and Development Fund had not been taken to accounts.
- (j) While the total of all assets according to the financial statements was Rs.112,104,887, value of total liabilities had been Rs.114,252,514. Accordingly, a difference of Rs.2,147,627 was observed.
- (k) Expense Creditors amounting to Rs.144,933 relevant to the year under review had not been accounted.
- (l) In the Revenue and Expenditure Account presented on the basis of analyzed programs, balances relating to the preceding year had not been shown. When the figures relating to Revenue Items and the figures relating to 13 Expenditure Items shown in the Revenue and Expenditure Account are compared with the notes given to the Account, a difference of Rs.14,118,393 and a difference of Rs.7,366 in a note presented for the Balance sheet were observed.

1.3.2 Non-reconciled Control Accounts

While the total of balances relevant to 09 items of accounts shown in the financial statements was Rs.123,943,208, according to the relevant subsidiary registers and records the total of those balances had been Rs.121,663,196. Accordingly a deference of Rs.2,280,012 as observed.

1.3.3 Non-compliance with Laws, Rules and Regulations

Action in terms of financial Regulation 571 of the Republic of Sri Lanka had not been taken with regard to 68 time lapsed deposits valued at Rs. 1,024,562 relevant to period from the year 1996 to the year 2012.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs. 2,300,600 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 1,499,219 indicating an improvement in the financial results in a sum of Rs. 801,381.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information furnished by the Secretary relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review is shown below.

| Source of Revenue | Arrears as at 01.01.2014 | Recoveries out of Arrears as at 31.12.2014 | Billings during the year | Recoveries out of billings for the year | Recoveries out of arrears as at 01.01.2014 | Out of billings for the year | Total Arrears |
|---------------------|--------------------------|--|--------------------------|---|--|------------------------------|---------------|
| | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 |
| (i) Rates and Taxes | 1,654 | 282 | 3,709 | 2,668 | 1,372 | 1,041 | 1,413 |
| (ii) Lease Rent | 113 | 38 | 3,995 | 3,420 | 75 | 575 | 650 |
| (iv) Other Revenue | - | - | 167 | 99 | - | 68 | 68 |

2.2.2 Lease Rent

While the land where the filling station is located had been leased out to the Ceylon Petroleum Corporation for the period from 15 October 2011 to 14 October 2014 without entering into an agreement, a sum of Rs.147,460 due for that had not been recovered up to the time of audit in December 2014.

3. Operating Review

3.1 Management Inefficiencies

Following matters are observed.

- (a) According to the information relating to cadre of the Pradeshiya Sabha, 41 posts out of the approved cadre of 85 posts had been vacant as at 20 May 2015. This had been 48% of the approved cadre.
- (b) Official Works had been assigned to employees enrolled on the basis of service agreements without action being taken to fill the vacant posts in the approved cadre. An allowance of Rs. 2,924,013 had been paid for them having engaged 24 employees during the period from the year 2012 to March 2015.
- (c) Advances amounting to Rs. 365,740 had not been settled as at 31 December 2014.
- (d) A sum of Rs. 487,437 due to be recovered on account of no pay leave during the years 2012 and 2013 had not been recovered.

3.2 Operational Inefficiencies

Following matters are observed.

- (a) Action had not been taken to recover a sum of Rs. 61,300 outstanding to be recovered from two officers left on transfers which was being brought forward over long period and a sum of Rs.5,000 outstanding to be recovered from one officer who had vacated post in April 2014.
- (b) Six Laborers of the Sabha were residing in 06 quarters constructed for the Laborers of the Health Section. According to Paragraph 5 in Chapter xix of the Establishments Code of the Republic of Sri Lanka, rent calculated at 12 ½% of the basis salary amounting to Rs. 483,632 had to be recovered as house rent as at 31 December 2014.

3.3 Un-economic Expenditure

Following matters are observed.

- (a) A sum of Rs. 550,000 had been paid on 20 March 2014 out of the Sabha Fund for preparation of the survey plan for the proposed embellishment of Yatiyanthota Town. While any development plan had not been initiated even up to 21 May 2015, the survey plan prepared had been withheld in the Sabha, even without being forwarded it to the Urban Development Authority.
- (b) In spite of fact that an Environmental Conservation Permit had been granted for the period from 07 January 2011 to 06 January 2014 to a carry on a quarry that had been in operation since the year 1996, in Post 4 Area of Veoya, Yatiyanthota, the ex-Chairman had refused to grant a Trade License for that. While a case had been filed by the owner of the quarry, it had been pointed out in the courts that there was no justifiable reasons for non-issuing the trade license and case had been closed. Payment amounting to Rs. 75,000 had been made as Lawyers' Fees by the Sabha.
- (c) The Pradeshiya Sabha had been named as the last respondent in connection with a land dispute among certain individuals for case No. 22825 in the Avissawella District Court. Although there was possibility to send an officer of the Sabha to make submissions as a state officer, a lawyer had been sent for making submissions for the case and a sum of Rs. 45,000 had to be paid out of the Sabha Fund for that.
- (d) While the Cab Vehicle bearing No. SGK-0627 belongs to the Sabha had been brought back to the Sabha on 30 July 2013 after spending a sum of Rs. 936,421 for full repairs, a hiring vehicle had been used from 30 July 2013 to 07 December. While an agreement had not been entered into with regard to this, payments totalling Rs. 1,530,000 had been paid without any running details.
- (e) A quantity of 809 liters of diesel had been used having spent a sum of Rs. 88,270 during the period from 03 March 2014 to 11 April 2015 for the tractor engaged for the transport of the gully browser. Accordingly it should have

performed about 6,472 k.m. approximately. However, only 112 k.m. had been performed in 10 instances during the period mentioned above. Any acceptable information was not furnished to audit to ensure that the fuel obtained was utilized for that vehicle.

- (f) A quantity of 2,482 liters of diesel had been purchased totalling to Rs. 283,096 during the period from 07 January to 20 April 2015 for the Bob Cat Machine of the Compost Project. Any acceptable evidence was not furnished to support that the fuel obtained were utilized for that machine and it was operated.
- (g) Although the contributions payable for a particular month should be paid to the Employees Provident Fund of the Central Bank of Sri Lanka, before end of the ensuing month, in terms of Section 16 of the Employees Provident Fund act No. 15 of 1958, a sum of Rs. 41,017 had to be paid as fines due to non-payment of contributions accordingly.

4. Accountability and Good Governance

4.1 Internal Audit

An adequate internal audit had not been carried out with regard to finance and stores in terms of Rule 5 (7) of the Financial and Administrative Rules Series of 1988.

4.2 Budgetary Control

Although the Budget should be made use of as an effective tool of financial management, 100% of provisions made available for 52 items of expenditure totalling Rs. 6,128,670 and 62% to 99% of provisions made available for 17 items of expenditure totalling Rs. 2,105,322 had not been utilized.

5. Systems and Controls

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

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