

**Yakkalamulla Pradeshiya Sabha  
Galle District**

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**1 Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year 2016 had been presented to audit on 06 June 2017 and the financial statements for the preceding year had been presented on 04 April 2016. The report of the Auditor General for the year 2016 had been forwarded to the Secretary of the Sabha on 20 October 2017.

**1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Yakkalamulla Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2016 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Deficiencies**

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The following accounting deficiencies were observed in audit.

- (a) The value of the roller obtained by the Sabha from the Ministry of Provincial Councils and Local Government during the previous year had not been assessed and brought to account.
- (b) Action had not been taken even during the year under review to make adjustments for the photocopy machine costing Rs.153,450 disposed of, at the board of survey of 2012.
- (c) The one per cent tax of Rs.45,630 recovered from the hotel approved by the Tourist Board had not been brought to account.

**1.3.2 Unreconciled Control Accounts**

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Differences amounting to Rs.1,115,729 were observed between the balances of 09 items of accounts aggregating Rs.14,757,267 as per financial statements and the balances appearing in the subsidiary registers and reports.

**1.3.3 Accounts Receivable and Payable**

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The following matters were observed.

- (a) Action had not been taken to settle the receivables of 09 balances of Accounts aggregating Rs.16,558,777 as at end of the year under review.

- (b) Action had not been taken to settle the sum of Rs.1,415,454 payable to the Local Government Pensions Fund as at 31 December of the year under review.
- (c) The stamp fees of Rs.322,616 to be remitted to the Department of Inland Revenue had not been settled.
- (d) Proper procedures had not been formulated to settle the sum of Rs.9,846,050 payable to the Local Loans Development Fund as at 31 December of the year under review.
- (e) Action had not been taken to settle the balances of work creditors of Rs.21,586,605 as at end of the year under review.

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

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A proper and updated register of fixed assets had not been furnished with regard to 05 items of fixed assets aggregating Rs.109,358,052 as appearing in the financial statements and as such these could not be satisfactorily examined in audit.

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

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The following instances of non-compliance with laws, rules and regulations were observed in audit.

<b>Reference to Laws, Rules, Regulations etc.,</b>	<b>Non - compliance</b>
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(a) Financial Regulations of the Republic of Sri Lanka	
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(i) Financial Regulation 396(d)	Action had not been taken in terms of the said regulation with regard to 28 cheques aggregating Rs.58,650 belonging to 2 current accounts remaining unrepresented for payments for over 06 months as at 31 December 2016.
(ii) Financial Regulations 570 and 571 (1)(2)	Action had not been taken to correctly identify and settle the balances of 04 types of deposits aggregating Rs.346,306 which had exceeded a period of 02 years as at 31 December 2016.

(iii) Financial Regulations 1645 and 1646

Daily running charts and monthly performance summaries of 18 vehicles of the Sabha had not been furnished for audit.

## **2. Financial Review**

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### **2.1 Financial Results**

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According to the financial statements presented to audit, the excess of revenue over recurrent expenditure for the year ended 31 December 2016 amounted to Rs.2,546,679 as against the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.2,773,831. A comparison of the financial results of the year under review with the preceding year shows a decrease of Rs.227,152 in financial results.

### **2.2 Analytical Financial Review**

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The following matters were observed.

- (a) It was observed that a sum of Rs.5,141,923 had been spent from the funds of the Sabha even during the year under review to pay salaries and allowances to employees who had been recruited by the Sabha without proper approval.
- (b) The debit balance of the Accumulated Fund Account amounting to Rs.6,318,252 had become Rs.2,558,054 during the year under review. But, it was observed in audit that the presence of debit balance in the Accumulated Fund Account shows the weakness in financial management.

### **2.3 Working Capital Management**

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The current ratio and the quick ratio of the year under review showed a minimum increase as compared with the previous year.

### **2.4 Revenue Administration**

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#### **2.4.1 Rates and Taxes**

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The Sabha had not drawn its attention to identify the improved areas and to recover rates and taxes accordingly in terms of Sections 134(1) and (2) of the Pradeshiya Sabha Act No.15 of 1987.

#### **2.4.2 Acreage Tax**

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The acreage tax recoverable for the year under review and the previous years amounted to Rs.257,426 of which a minimum percentage of 28 per cent had been recovered. Action had not been taken in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No.15 of 1987 to recover arrears of acreage tax.

### **2.4.3 Business Tax**

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Action had not been taken to recover the business tax of Rs.80,450 and the industrial tax of Rs.30,200 which remained unrecovered even by end of the year under review.

### **2.4.4 Court Fines and Stamp Fees**

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The stamps fees and court fines due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2016 amounted to Rs.10,659,951.

## **3. Operating Review**

### **3.1 Management Inefficiencies**

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- (a) Action had not been taken to recover the loan balances of Rs.80,878 recoverable from 17 officers as at 31 December of the year under review.
  - (b)
    - (i) There were 04 vacancies in the cadre and 11 excesses in the approved cadre. Action had not been taken to regularize the excess cadre and to fill the vacancies.
    - (ii) The Department of Management Services had approved the post of the electrician of the Sabha. But, sanitary labourers had carried out the required duties without recruiting the required person. The employee had expired due to electric shock while on duty in September 2016.
  - (c) The monthly average balance of 02 bank account of the Sabha amounted to Rs.2,597,240. The Sabha had been deprived of earning revenue as a result of not investing the surplus money.
  - (d) Action had not been taken even by end of the year under review to acquire ownership of 06 vehicles used by the Sabha.
  - (e) Annual board of survey had not been conducted in terms of Rule 214 of the Pradeshiya Sabha (Finance and Administration) of 1988.

### **3.2 Delay in Projects**

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The following matters were observed.

- (a) The sum of Rs.1,000,000 granted to renovate the Hiriya Malkumbara Welihene Road in 2016 under the National Programme of Strengthening Pradeshiya Sabhas had been returned without executing the said work.
- (b) The Sabha had received Rs.160,000 for 03 jobs such as, construction of a public well at Thelambura Sandagirithenne, renovation of the Walpala Pingodawaththa public

well and maintenance of street lamps under the Provincial Council Members' Provision. But, the work concerned had not been fulfilled during the year.

### **3.3 Idle and under utilized Assets**

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Action had not been taken even by end of the year under review to repair the four wheeled Kubota Mini Tractor and the trailer as well as the Mitsubishi Double cab so that those could be made use of, or disposed of. This contravenes the provisions in the Public Finance Circular No.2/2015 of 10 July 2015.

### **3.4 Solid Waste Material Management**

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The following matters were observed.

- (a) The Sabha had constructed a compost plant at Walpala Welandawawaththa for Solid Waste Material Management. A sum of Rs.133,337 had been earned during the year under review by manufacturing fertilizer from the carbonic waste material getting decayed in the premises. But, the non degradable garbage collected by the Sabha had been stored in the stores room and the building behind the compost plant. The Sabha had no future plan to sell them or to recycle them.
- (b) A roof had not been constructed for the Welandawawaththa compost plant and as such the residents of the area had filed a case at the Galle Additional Magistrate's Court stating that excessive bad smell prevails during rainy days.
- (c) A provision of Rs.1,000,000 had been approved for constructing a roof to this compost plant during the year under review. But, the work concerned had not commenced.

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

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### **4.1 Budgetary Control**

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Savings aggregating Rs.17,946,412 in 09 items of expenditure and non achievement of targets in 05 items of revenue amounting to Rs.12,008,512 in the budget for the year under review showed that the budget had not been used as an effective instrument of financial management.

### **4.2 Internal Audit**

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An internal auditor had been appointed in terms of Financial Regulations 133 and 134 of the Republic of Sri Lanka and the circular No.දපපා/යන/01/න.ව.ලේ of 24 February 2014 of the Commissioner of Local Government (Southern Province). However, adequate internal audit had not been performed.

### 4.3 Implementation of Audit and Management Committees

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Action had not been taken to establish Audit and Management Committee even by end of the year under review as per provisions in the Management Audit Circular No. DMA/2009(i) of 09 June 2009.

### 5. Systems and Controls

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Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time by audit queries. Special attention is needed in respect of the following areas of systems and controls.

<b>System</b>	<b>Main deficiency in the System</b>
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(a) Accounting	(i) Balances of accounts which continued to be brought forward without change had not been settled.  (ii) Differences existed between the balances of financial statements and the balances in the related schedules.  (iii) Action had not been taken with regard to cheques issued, but not presented for payments.  (iv) Deposits exceeding 02 years had not been settled.
(b) Control over vehicles	(i) Action had not been taken to test consumption of fuel by vehicles of the Sabha.  (ii) Action had not been taken to repair/dispose of idle vehicles.  (iii) Action had not been taken to acquire ownership of vehicles.  (iv) Daily running charts had not been furnished to audit
(c) Budgetary Control	(i) Savings in 09 items of expenditure had been observed

- (ii) Adverse variances had been observed in 07 items of revenue.
- (d) Maintenance of Registers
  - (i) The Sabha had not maintained a register of vehicles.
  - (ii) A register of losses and damages had not been maintained
  - (iii) The register of fixed assets had not been updated and maintained.
  - (iv) A register of fixed assets had not been maintained for computers.
- (e) Staff Management
  - (i) Action had not been taken to fill the vacancies and to regularize the excess cadre.
  - (ii) Action had not been taken to recover loan balances of officers who had served in the Sabha.
- (f) Collection of Revenue
  - (i) Proper procedure had not been adopted to recover arrears of revenue.
  - (ii) The revenue from stamp fees had not been recovered in an updated manner.
  - (iii) Action had not been taken to declare the zones of rates and taxes and to recover rates and taxes accordingly.