

Yatinuwara Pradeshiya Sabha
Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to the audit on 28 March 2018 and the Auditor General's Report on those financial statements was issued to the Chairman on 30 July 2018.

1.2 Qualified 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 Yatinuwara Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a) The value of 32 land lots recorded in fixed assets register had not been identified and accounted.
- (b) Disclosers had not been made in notes to the accounts with relating to 04 motor vehicles valued at Rs.8,369,000 which the ownerships were not acquired.
- (c) The value of Cab belonging to Sabha had not been accounted.
- (d) Estimated amount of Rs.10,700,000 in 26 contracts, which were not engaged with agreements, had been accounted under creditors.
- (e) Two carts valued at Rs.61,249 had been accounted under plant and machineries.
- (f) Four laser printers valued at Rs.56,776 had been accounted under office equipment.
- (g) Thirteen bicycle valued at Rs.8,510 which were personally purchased by using the loan provided by the Sabha had been accounted under motor vehicles and carts.
- (h) The value of 05 cattle and 02 goats in Siyambalagoda farm belonging to Sabha had not been assessed and accounted.
- (i) According to the inquiry reports of F.R.104(4) on 12 July 2017, the loss of Rs.1,061,065 occurred for a tractor and a trailer and the insurance amount of Rs.700,000 agreed to be recovered, had not been accounted.

1.3.2 Non-reconciled Accounts

According to library books account, though the balance was aggregating Rs. 5,293,682; aggregating of those balances were Rs. 5,300,733 as per the board of survey report, hence it was revealed an un-reconciliation of Rs. 7,051.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

While the total value of 08 Accounts Receivable balances as at 31 December 2017 was Rs. 80,763,558, and a balance over 05 years was aggregating Rs.1,396,903. Arrears account balances for over 01 to 05 years period was aggregating Rs.31,845,892, and a balance of Rs.78,736,012 was further being receivable as at 26 April 2018.

(b) Accounts Payable

While the total value of 02 Accounts Payable balances as at 31 December 2017 was Rs. 44,346,886, and a balance over 05 years was aggregating Rs.1,471,471. Arrears account balances for over 01 to 05 years period was aggregating Rs.5,531,370, and a balance of Rs. 43,144,881 was further being payable as at 21 June 2018.

1.3.4 Lack of Documentary Evidence for Audit

Five accounts items aggregating Rs. 21,237,687 could not be satisfactorily verified in audit due to non-presenting relevant information.

1.3.5 Non-compliance

Instances of non-compliance with laws, rules and regulations were shown below.

Reference to laws, rules and regulations	Amount	Non-compliance
	Rs.	
(a) Section 52 of Pradeshiya Sabha Act No. 15 of 1987	--	Forty eight unauthorized constructions were reported to Sabha in the year under review and out of them, remedial actions had not been taken for 41.
(b) Financial Regulations 571 (3) of Democratic Socialist Republic of Sri Lanka	3,647,214	Contract withholding received in 120 instances from the year 2012 to the year 2016 had further been held in deposit account.

- (c) Public Administration Circular No.30/2016 dated on 29 December 2016 -- Fuel consumption of 02 vehicles of the Sabha had not been tested over 02 years.

2. Financial Review

2.1 Financial Results

According to the Amended Financial Statements presented, revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.42,381,202 as compared with the corresponding revenue over recurrent expenditure for the preceding year amounted to Rs. 40,113,445.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

Information relating to estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

Revenue Source	Estimated Revenue	2017			2016			Total Arrears as at 31 December
		Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	4,780,560	4,833,422	5,086,060	3,534,914	4,092,000	5,014,228	5,122,277	3,937,504
(ii) Rent	240,000	87,000	87,000	--	220,000	107,750	107,750	--
(iii) License Fees	2,450,000	2,268,350	2,268,350	11,145	1,950,500	1,948,400	1,948,400	11,145
(iv) Other Revenue	49,758,520	40,494,541	19,449,172	65,549,527	36,342,600	46,660,533	48,446,951	44,375,375
Total	57,229,080	47,683,313	26,890,582	69,095,586	42,605,100	53,730,911	55,625,378	48,324,024

2.2.2 Performance in Revenue Collection

The increase in arrears revenue was 43 per cent due to arrears as at 31 December 2016 from all sources of income was Rs. 48,324,024 and those arrears was Rs.69,095,586 as at the end of the year under review.

2.2.3 Rates and Tax

- (a) Remedial action had not been taken to recover the rates of Rs.872,648 receivable from Government Institutions on billing since 10 years.

- (b) Actions had not been taken to recover the rates of Rs.583,460 receivable from 124 rates units of private properties for 02 to 12 years period. Actions had also not been taken in terms of section 159 of Pradeshiya Sabha Act No. 15 of 1987 in this regard.

2.2.4 Other Revenue

Actions had not been taken to recover Three wheeler charges of Rs. 557,400 for the years 2016 and 2017.

2.2.5 Court Fines and Stamp Fees

Court fine of Rs. 2,096,882 and stamp duties of Rs. 63,549,527 were receivable from the Chief Secretary of the Provincial Council and other related authorities as at 31 December 2017, and court fine of Rs.69,336 had further been receivable from this balance as at 20 June 2018.

3. Operating Review

3.1 Performance

Matters revealed with regarding the activities such as streamlining and controlling matters relating to public health, common utility services and public roads; feather bedding, convenience and welfare which should be admired by the Sabha under Section 03 of Pradeshiya Sabha Act were shown below.

(a) Non spending of Provision

When incurring expenses under Public Health Program in the year under review, the entire provision of Rs.310,000 allocated to 02 expenditure votes had been saved without utilizing for implementing targeted objectives and out of a sum of Rs.1,250,000 provided to 02 expenditure votes, a sum of Rs.701,690 had only being spent; thus the utilization of allocations were in lower as much as 16 per cent to 61 per cent.

(b) Non implemented Objectives

- (i) Public toilets located in Peradeniya City were in weak with unhealthy due to improper maintenances from many years without considering the objectives mentioned in 85 (a), (b) and (c) of Pradeshiya Sabha Act No.15 of 1987.
- (ii) Though the provision of Rs.1,000,000 had been given to maintain public toilets under Pradeshiya Sabha Strengthening Program by the Ministry of Local Government in the year 2016, toilets had not been maintained by utilizing those provisions.

(c) **Solid waste Management**

Producing of organic fertilizer had been commenced under semi air drain system by dumping 5 tons of waste collected daily in the area of the authority of the Pradeshiya Sabha and 2.5 tons of waste in Kadugannawa Municipal Council into Kirimatiyawa garbage yard. Following observations are made in this regard.

- (i) According to the field inspection made on 15 May 2018, waste had been dumped in all over the premises without a proper procedure and water had been spread everywhere of the garbage yard.
- (ii) The garbage dumping land was not belonging to Pradeshiya Sabha and actions had not been taken to identify the clear ownership and to acquire the land.
- (iii) An environment license had not been obtained for dumping garbage.
- (iv) Though producing of organic fertilizer had been commenced, it was observed that the process was not proper and sufficient.

(d) **Sustainable Development Goals**

Long term plans had not been prepared even as at 31 December 2017 to improve wellbeing and health of people in the area of the authority of the Sabha through the global indexes for those objectives, due to unawareness of the Sabha with regarding the sustainable development objectives in the agenda for the year 2030.

3.2 Management Inefficiencies

- (a) An income of Rs.2,038,975 received in 23 instances with relating to previous years and the year under review had been kept in general deposit account.
- (b) Actions had not been taken to identify and recover the sundry debtor balances of Rs.473,640 carrying forward from the year 2007 and the balance of Rs.8,900 recorded as pension debtors and carrying forward from the year 2010.

3.3 Human Resources Management

- (a) Sixteen posts were vacant between approved and actual cadre of the Sabha as at 31 December 2017.
- (b) Actions had not been taken to recover staff loan balance of Rs.322,453 receivable in the 06 months to 05 years from two Officers and a worker retired, vacated of post and transferred out.

3.4 Operational Inefficiencies

- (a) Actions had not been taken to update the road inventory for many years which was maintained by the Sabha.

- (b) Small farm, consisting with 02 cattle and 07 goats, adjoining to Siyambalagoda works unit belonging to Sabha had been operated without a clear objective.
- (c) Two shops from the year 2006 and another shop from the year 2016 had been closed down which were belonging to Sabha.
- (d) Though new rates assessment should be conducted at least once in 05 years, rates had been collected even for the year 2017 based on the rates assessment of the year 2006 without doing such assessment.
- (e) Though 05 areas of the area of the authority of Sabha had been identified as developed areas in the year 2013, rates recovery system had not been implemented for properties in those areas even as at the end of the year 2017.

3.5 Assets Management

Idle / Under-utilized Assets

- (a) Five hundred twenty GI pipes valued at Rs.575,716 had been exposed to weather without utilizing.
- (b) Four usable vehicles valued at Rs.1,217,500 and 04 Trailers valued at Rs.564,000 had been allowed to destroy for over 04 years without taking actions to dispose or to take remedies .
- (c) Two usable vehicles valued at Rs.3,365,800 had been under-utilized without using for over one year.

3.6 Identified Losses

The Tractor and Trailer of the Sabha valued at Rs. 987,000 had completely been damaged from an accident in the year 2011. Though it had been agreed to give compensation amount of Rs.700,000 by taking the destroy Tractor into the Insurance Company, actions had not been taken to recover those money even as at 15 May 2018.

3.7 Procurement

Procurement Plan

Though capital expenditure of Rs.58,953,063 had been incurred by the Sabha in the year under review, a procurement plan had not been prepared.

3.8 Improper Transactions

Though it was informed to conduct Planning Committees outside the official hours in terms of paragraph (1) of Urban Development Authority Circular No. 08/01/38 of 15 March 1995, attendance of Planning Committees after the official hours could not be confirmed due to non-

recording of departures of 05 Officers in each days who were mentioned that they were reported to Planning Committee duties. Accordingly allowance of Rs. 47,000 had been paid to those Officers during the year under review.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

According to the budget prepared for the year under review, it was observed that the budget had not been made use of as an effective tool of management as there were variations from 18 per cent to 102 per cent in 02 items of revenue and variations from 14 per cent to 66 per cent in 07 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

4.2 **Internal Audit**

Independent and sufficient internal audit could not be carried out due to assigning some other duties in many subjects for internal audit Officer.

5. **Systems and Controls**

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time and special attention is needed in respect of the following areas of control.

System	Deficiencies
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(a) Revenue Administration	i. Failure in collection of arrears revenue. ii. Failure in collecting rates from developed areas.
(b) Assets Management	i. Improper maintenances of register. ii. Failure in security assurance. iii. Deficiencies in ownership.
(c) Debtors and Creditors	i. Converting non agreed contracts into creditors. ii. Non-taking actions to recover previous debtor balances. iii. Non-taking actions to settle previous trade creditor balances.
(d) Budgetary Control	Non-spending of estimated provisions.