

**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 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the chairman on 31 May 2019 and 13 June respectively.

**1.2 Qualified Opinion**

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In my opinion except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Yakkalamulla Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

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**(a) Accounting Deficiencies**

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	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(i)	Contribution of Rs.1,154,008 payable to the W& OP Fund during the year ended under review had been debited to the Account instead of crediting.	Should be brought to the Account correctly.	Action will be taken to rectify the mistake while preparing accounts for 2019.
(ii)	While it was not entering into an agreement valued at Rs.4,000,000 for constructing access road to conference wall of the Sabha and for construction of ditch system, that sum has been brought to Account as capital aid.	Should be brought to account correctly.	Action will be taken to rectify the mistake while preparing accounts for 2019.
(iii)	Local Loan and Development Fund Loan balances as at the end of the year under review had been under stated in accounts by	Should be brought to account correctly.	Action will be taken to rectify after obtaining correct information in future.

Rs.5,672,584.

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|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|-------------------------------------------------------------------|
| (iv) | License fee, revenue applicable to the year under review had been understated in accounts by Rs.1,010,000                                                                                                  | Should be correctly brought in to accounts. | Action will be taken to rectify while preparing accounts in 2019. |
| (v)  | Money transfer between current bank accounts of the sabha had been effected through a Ledger Account. Although those accounts should have been balanced, Further, unsettled balance of Rs.63,553 appeared. | Should be currently brought into accounts.  | Action will be taken to rectify while preparing accounts in 2019. |

**(b) Unreconciled Accounts**

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**Audit Observation**

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The balance of 02 items of accounts as per financial statements as at 31 December of the year under review and the balances in the related subsidiary.

**Recommendations**

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Action should be taken to rectify accounts through conciliation of variance of relevant balances.

**Comments of the Accounting Officer**

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This being variance existing over a long period action will be taken to rectify the same.

**(c) Accounts Receivable & Payable**

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**(i) Accounts Receivable**

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**Audit Observation**

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Action had not been taken during the year under review to recover provincial council Revenue Aid of Rs.7,981,282 being brought forward even before the preceding year and three wheel account balance brought forward since 2013.

**Recommendation**

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Action shall be taken to recover receivable money.

**Comments of the Accounting Officer**

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Recover in future.

**(ii) Accounts Payable**  
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Action had not been taken to recruit to the Department of Inland Revenue a total sum of Rs.240,517 being brought forward as stamp fee over a period of 05 years.

Action should be taken to settle balances payable.

Rectify in the coming year.

**1.4 Non Compliance**  
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**Non Compliance with Laws, Rules, Regulations and Management Decisions**  
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	<b>Reference to Laws, Rules, Regulations and Management Decisions</b> -----	<b>Value</b>  <b>Rs.</b> -----	<b>Non-compliance</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a)	FR 570-572 of the Financial Regulation of the Democratic Social Republic of Sri Lanka.	966,075	Action had not been taken in respect of 11 deposits having exceeded 02 years.	Action should be taken in terms of the Financial Regulations.	Action will be taken suitably in future.
(b)	Paragraph 3 (x) of the Public Finance Circular No.03/2014 dated 30 December 2014.	31,250	Telephone allowance had been paid to Community Development officer of the sabha since 2017 to January 2019 in contrary to circular provisions.	Action should be taken in terms of the circular instructions.	Action will be taken suitably in future.

**2. Financial Review**  
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**2.1 Financial Results**  
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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs.2,061,070 as against the excess of expenditure over recurrent revenue of the preceding year

## 2.2 Revenue Administration

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

Information relating to the Estimated Revenue, Revenue billed, Revenue Collected and the Arrears of Revenue furnished 31 December for the year under review and the preceding year as furnished are shown below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,398,040	733,698	750,154	257,050	1,233,040	652,186	672,184	279,270
Rent	4,715,000	5,555,566	5,556,581	217,000	4,209,100	4,215,427	4,214,527	119,909
License Fees	1,659,000	2,631,307	1,622,307	1,003,250	1,609,000	989,113	990,613	(4,750)
Other Revenue	64,465,000	34,954,519	37,442,557	7,883,048	62,741,000	37,967,146	36,731,869	15,546,683
	<u>72,237,040</u>	<u>43,875,090</u>	<u>45,371,599</u>	<u>9,360,348</u>	<u>69,792,140</u>	<u>43,823,872</u>	<u>42,609,193</u>	<u>15,941,112</u>

### 2.3.1 Performance in Collection of Revenue

#### Audit Observation

Although the total revenue recoverable during the year under review had been Rs.59,816,202, the total revenue collected amounted to Rs.45,371,600 indicating an arrears of Revenue amounting to Rs.9,360,348.

#### Recommendation

Early action should be taken to recover revenue in arrears.

#### Comments of the Accounting Officer

Early action will be taken to recover revenue in future as per budget.

### 2.3.3 Rates and Taxes

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Although the revenue recoverable during the year under review had been Rs.1,012,968, the total recovered at the end of the year had been Rs.150,154 receiving an arrears of revenue amounting Rs.257,050	Early action should be taken recover revenue in arrears.	Early action will be taken in future recover revenue in arrears.
(b) Although action had not been taken by the sabha to recover rates and taxes in consideration of development level of the authority area as per section 134(2) of the Pradeshieya sabha Act. Urban facilities including collection of garbage (around 45 tons per month) and electricity facility along urban roads, had been provided with sabha fund.	Action should be taken to recover rates and taxes having identified urban assessment areas.	Action will be taken in future to recover rates and taxes.

### 2.3.4 Other Revenue

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Although cinnamon cultivation project had been estimated to Rs.450,00 the revenue had not been collected.	Estimated Revenue shall be recovered.	During the year Rs.151,873 had been recovered and action will be taken to the recover balance.

### 3. Operating Review

#### 3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of section 3 of the Pradeshieya sabha Act such as regulation and control of matter relating to public health common amenities and public highways, healthy environment of the public, facilities and welfare etc.

##### (a) Non allocation of provisions

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Out of 47 activities planned for implementation by the sabha in keeping with the Annual Action Plan of the year under review budgetary provisions had been made available only for one activity. Hence 47 activities couldn't be under taken,	Activities should be fulfilled in keeping with the action plan.	Not replied.

##### (b) Non achieving of anticipated outcome

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Although PC member provision of Rs.80,000 had been received for two projects of the year under review, those projects had not been implemented and the money received had been deposited in the Industry Accounts.	Projects should be implemented as scheduled.	Deposited under Deposit Account in the hope of implementing project in 2010.

##### (c) Non achieving of anticipated outcome

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Outside parties had filed action in 2017 against the compost project	Waste should be recycled under a	Action will be taken to environmental license.

and expenditure of Rs.78,000 had been made from the Sabha Fund for 10 hearings. Due to filling of cases no environmental license had been issued.

formal methodology and obtain environmental license.

**(d) Achievement of Sustainable Development Objectives**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
<p>The sabha had not prepared long – term plans to uplift the living standard and health of the people in the authoritative area of the sabha by global indicators for sustainable development objectives &amp; targets referred to in 2030 Agenda for sustainable development.</p>	<p>Long – term plans for sustainable should be formulated to enhance the living standard of the public.</p>	<p>A sustainable plan will be formulated aimed at enhancing living standard of the people in the authoritative area.</p>

**3.2 Management Inefficiencies**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
<p>(a) The sabha had not signed agreement with the Ceylon Electricity Board for maintaining street lamps during the year under review and Rs.2,026,611 had been spent from Sabha fund for maintaining street lamps. Further the amount approved by the CEB for street lamps had not been got reimbursed.</p>	<p>Agreements should be signed.</p>	<p>Agreements are to be signed in 2019.</p>
<p>(b) A mobile library service conducted with the objective of providing library facilities for rural .... Had stop from January of the year under review.</p>	<p>Books and library equipment should be put into productive use.</p>	<p>In being unproductive exercise they withdraw from that service.</p>

### 3.3 Human Resources Management

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) 08 vacancies, 04 in secondary division and 04 in primary division were available. However the sabha had not taken action to fill vacancies in a formal manner.	Action should be taken to formally fill vacancies by making recruite.	Action will be taken to fill vacancies through central government.
(b) A sum of Rs.2,617,364 had been spent from sabha fund for payment of salaries and allowances for 09 casual and substitute employees recruited without formal approval, and the sabha had not taken action to formal those appoinments.	Substitute employments should be formalized.	Payments has been made upon a proposal of the sabha.

### 3.4 Assets Management

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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<b>Utilization of vehicles</b>		
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The mini tractor utilized by the sabha had been removed from running. However action had not been taken to remove condemned vehicles from use as per Public Finance Circular No.02/2015 dated 10 July 2015.	Condemned vehicle shall be disposed of as per the relevant circular.	Action will be taken for disposal of those vehicles.

### 3.5 Unidentified lossess

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) The amount that had to be paid to the Employee's Trust Fund as surcharge was Rs.136,582 of	The loss caused to the Sabha Fund should be recovered.	Action will be taken in terms of the Financial Regulation.



which Rs.129,821 had been paid from the Sabha Fund. However, action had not been taken to recover the loss caused to the Sabha Fund upto the date of this report as per 156(1) of the Financial Regulation of the Democratic Socialist Republic of the Sri Lanka.

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|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------------------------------|
| (b) | According to the Board of Survey report there was a shortage of 1,339 library books to the value of Rs.160,318 as at 31 December of the year under review. | The loss caused to the library should be recovered. | Action will be taken to recover the loss through Mediation Board procedure. |
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#### 4. Accountability and Governance

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##### 4.1 Budgetary Control

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Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) No any income had been earned from the estimated revenue of Rs.132,000 of one item of revenue and no any expenditure incurred from the sum of Rs.1,054,000 allocated for one item of expenditure.	Actual Estimates should be prepared.	Action will be taken to regarding this matter in the coming year.
(b) The aggregate of unachieved targets of 06 items of expenditure amounted to Rs.36,579,514, the value of which ranged between 37% to 62%.	Actual Estimates should be prepared.	Action will be taken to regarding this matter in the coming year.
(c) The aggregate of the savings of 08 items of expenditure was Rs.36,483,805 value of which ranged between 26% to 92%	Actual Estimates should be prepared.	Action will be taken to regarding this matter in the coming year.

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| (d) | In respect of one item of expenditure, Rs.178,961 had been spent in excess of budgetary provision being excess of 36% | Actual Estimates should be prepared. | Action will be taken to regarding this matter in the coming year. |
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#### 4.2 Implementation of Audit and Management Committees

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Even by the end of the year under review action had not been taken to establish audit and Management Committees in terms of provisions of the Management Audit circular No.DMA/2009 (I) of 09 June 2009.	Audit and Management Committees should be established.	This was not possible due to non attendance of officers.