

**Yatinuwara Pradeshiya Sabha  
Kandy District**

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**1. Financial Statements**

**1.1 Presentation of Financial Sstatements**

The financial statements for the year 2019 were submitted for audit on 28<sup>th</sup> February 2020 and the Auditor General's summary report on those financial statements was forwarded to the Chairman on 15<sup>th</sup> May 2020 and the detailed management audit report on 30<sup>th</sup> June 2020.

**1.2 Qualified Opinion**

In my opinion, except for the effect of the matters described in the basis for the qualified opinion section of my report, Financial statement gives a true and fair view of the financial position of the Yatinuwara pradeshiya Sabha as at 31st December 2019 and its financial performance for the year then ended, in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for the Qualified Opinion**

**1.3.1 Accounting Deficiencies**

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) The value of 04 land and building units had been overstated by Rs. 1,648,500.	It should be accounted correctly.	Correction will be made through journal entries in the year 2020.
(b) 03 items of machinery valued at Rs. 309,200 had not been accounted.	It should be accounted correctly.	Correction will be made through journal entries in the year 2020.

**1.3.2 Non Reconciled Accounts**

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
There was a mismatch of Rs.308,830 between 02 subjects of account according to the financial statements and the source documents.	Differences should be reconciled and rectified.	Differences will be identified and corrected.

**1.3.3 Receivable and Payable Accounts**

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) <u>Accounts Receivable</u> The total balance of accounts receivable for more than 05 years was Rs. 2,436,390.	Receivable balance should be recovered	Action will be taken to recover in the future.

(b) Accounts Payable

The total balance of accounts payable over a period of 05 years was Rs.1,720,914.

Payments should be settled.

Action will be taken to settle the payments in the future.

### 1.3.4 Lack of Written Evidence Required for Audit Non Presentation of Information

## Audit Observation

## Recommendation

## Comments of the Accounting Officer

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Fixed asset registry, deeds and source documents relating to, 02 account subjects amounting to Rs.9,723,640 had not been presented for the audit.

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Evidences that verify the account balances in financial statement should be presented.

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Corrections will be done in the year of 2020.

### 1.3.5 Non Compliance

#### 1.3.5.1 Non-Compliance with Laws Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliance	Recommendation	Comments of the Accounting officer
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(a) 1988 Pradeshiya Sabha (Financial and Administration) rules			
----- Rule 218	Action had not been taken to annual inspect all lands and buildings.	The relevant rules must be followed	Necessary action has been taken at present.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
----- (i) F.R.. 371(2)(c)	50 Sub imprest worth Rs.604,386 were retained from 08 days to 158 days without settle off.	It should done in accordance with financial regulations.	In the future, It had been informed to settle the imprest immediately after the relevant work is completed.
(ii) F.R.. 570	No action had been taken to refund lapsed deposits amounting to Rs. 4,351,311 or to credit to the government revenue.	It should act in accordance with financial regulations.	Action will be taken in accordance with the relevant financial regulations in the future.

(iii)	Section 03 of F.R. 571	A temporary deposit of Rs. 2,195,006 which had been retained for a long period of 01 to 05 years	It should act in accordance with financial regulations	Action will be taken to release the deposits in the future.
(c)	Other Circulars ----- Order 22 (1) of the Plans and Buildings of the Urban Development Authority 1986 published in the Extraordinary Gazette No. 935/06 dated 06th August 1996.	04 plots of land acquired after the subdivision had not been used for the relevant purposes.	Assets should be utilized maximally.	It will be used for development activities in the future.

### 1.3.6 Transactions were not Confirmed with Considerable Authority

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Holiday payment ----- Rs.116,343 had been paid as holiday pay in the year under review without the prior approval of the Assistant Commissioner of Local Government and without confirmation of 08 hour service in accordance with Chapter 10.1 (a) of Chapter VIII of the Establishments Code in accordance with CPC / LGC / Circular No. 2018/08 .	Relevant circulars and regulations should be followed in the payment of holiday pay.	Since the local government has been dissolved after the end of its term, the chairman has been appointed as the head of the institution and payments have been made with his approval.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statement presented, excess of revenue over recurrent expenditure for the year ended 31<sup>st</sup> December 2019 amounted to Rs.39,179,167, as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 36,551,386 .

## 2.2 Revenue Administration

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

The details of Estimated Revenue, Billed Revenue, collected Revenue and Arrears of Revenue for reviewed year and preceding year are as follows.

Revenue source	2019				2018			
	Estimated revenue	Revenue billed	Collected revenue	Total arrears as at 31st December	Estimated revenue	Revenue billed	Collected revenue	Total arrears as at 31st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and taxes	3,469,560	3,666,679	3,149,162	3,383,477	3,469,560	3,461,239	3,063,107	2,944,787
(ii) Rent	298,000	339,228	328,228	11,000	250,000	201,665	201,665	--
(iii) Licence fee	2,650,000	2,144,802	2,144,802	--	1,400,000	1,558,800	1,558,800	11,145
(iv) Other income	53,191,000	51,760,255	78,340,965	82,025,600	46,450,000	38,038,405	9,694,359	94,478,179
<b>Total</b>	<b>59,608,560</b>	<b>57,910,964</b>	<b>83,963,157</b>	<b>85,420,077</b>	<b>51,569,560</b>	<b>43,290,109</b>	<b>14,517,991</b>	<b>97,434,111</b>

### 2.2.2 Rates and Taxes

Audit Observation

Recommendation

Comments of the Accounting Officer

Rates

An assessment tax balance of Rs. 2,814,428 was due on the last day of the year under review

Action should be taken to recover the arrears

Action should be taken to charge in the future

### 2.2.3 Court Fines and Stamp Duties

Audit observation

Recommendation

Comments of the Accounting officer

Receivable court fines and Stamp duties as at 31st December 2019 was Rs.286,361 and Rs.16,709,508 respectively.

Action should be taken to charge a fee.

Action will be taken to charge in the future

## 3. Operating review

### 3.1 Performance

Following matters were revealed with regard to duties to be fulfill by the Council as per the Section 3 of the Pradeshiya sabha Act, in relating to regulation and control of all the matters relating to Public health, Public utility services and public highways, comfort, convenience and welfare of the people.

(a) <u>Delays in performing tasks</u>	Recommendation	Comments of the Accounting officer
Audit observation		
----- During the year under review, 58 projects with a value of Rs. 8,831,000 had not been implemented out of 92 projects with a value of Rs.14,306,000 which was approved to fulfil according to the need of public..	----- Approved projects should be implemented	----- Action will be taken to correct that in the future.
<b>3.2 <u>Management inefficiencies</u></b>	Recommendation	Comments of the Accounting Officer
Audit observation		
----- In terms of Section 1 (1) of Volume ix No. 05/01/119 of the Director General of Urban Development Authority dated 26th February 1992, the payment of Planning Committee Allowances should be covered for more than 02 hours out of office hours, During the year under review Rs.81,000 had been paid as allowances without confirming that period in writing.	----- Prior to the payment of the relevant allowances, it should be checked whether the circular is in compliance with the requirements.	----- Attendance document, outline document, arrival and departure confirmed by fingerprint machine and only fingerprint machine will be used in future.
<b>3.3 <u>Human Resource Management</u></b>	Recommendation	Comments of the Accounting Officer
Audit Observation		
----- Employee Vacancies and Excess	-----	-----
----- As at 31 December 2019, there were 14 vacancies in the approved carder of the Council.	----- Vacancies should be filled	----- In the future, the necessary arrangements will be made for recruitment.
<b>3.4 <u>Operational inefficiencies</u></b>	Recommendation	Comments of the Accounting Officer
Audit Observation		
----- Out of 179 complaints regarding unauthorized constructions received in 2018 and 2019, 48 complaints had not been acted upon.	----- Action should be taken on complaints regarding unauthorized constructions	----- Most of the complaints are received by post and telephone and it is informed that action cannot be taken due to lack of information.

### 3.5 Assets Management

#### 3.5.1 Failure to Obtain Income due from Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
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07 public wells were closed without any use.	Maximum benefits should be gained from assets.	It had been inquired from the Local Government Department and will act on the advice received in the future.

#### 3.5.2 Idle or Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) 07 vehicles valued at Rs. 14,690,122 were inactive and underutilized.	Maximum benefits should be gained from assets.	Vehicles have been removed due to lack of drivers
(b) 05 unidentifiable trailers in number plates worth Rs. 802,000 were allowed to decay in the work unit for a period of 10 years	Unusable assets should be identified and further action should be taken.	Action will be taken to auction off or dispose it in the future.
(c) The building on the premises where the Siyambalagoda work unit is located was underutilized without any repairs.	Asset maintenance needs to be done	It will be repaired and used it in the future.

### 3.6 Vehicles Utilization

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) As per Section 3.1 of Public Administration Circular No. 30/2016 dated 29th December 2016, fuel inspection of several vehicles had not been carried out.	Follow the relevant circulars	a fuel combustion test will be conducted in the future.
(b) Revenue licenses had not been obtained for 02 vehicles worth Rs.1,275,000.	Action should be taken to obtain revenue licenses	It was informed that no action was taken to obtain the license as the vehicle was idle.

4. **Accountability and Good Governance**  
**Unresolved observations and Unanswered Audit Queries**

Audit observation	Recommendation	Comments of the Accounting Officer
----- 2018 – 3.5 -----	-----	-----
The engine of the cab No. 252 - 6349 had not been inspected and no action had been taken	It should be inspected and appropriate action taken.	The Provincial Mechanical Engineer has carried out an investigation and informed that action will be taken after receiving the reports.