

Yakkalamulla Pradeshiya Sabha
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 10 June 2014. The Auditor General's Report relating to the year under review was issued to the Secretary to the Sabha on 05 August 2015.

1.2 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 Yakkalamulla Pradeshiya Sabha as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Accounting Policies followed by the Sabha had not been disclosed with the financial Statements.

1.3.2 Advanced Accounting Practices

A separate account had not been presented to show the operating result of the Velendawa Land belongs to the Sabha.

1.3.3 Accounting Deficiencies

Following observations are made.

- (a) The value of two lands amounting to Rs. 150,000 vested in the Sabah during the year under review had not been shown in the financial statements.
- (b) Fixed Assets valued at Rs. 256,486 purchased during the year under review had been shown as recurrent expenditure in the financial statements.
- (c) Although the Pension Contribution payable to the Commissioner General of Pensions on behalf of the retired local government employees as at 31 December of the year under review was Rs.348,993, provision amounting to Rs.1,348,993 had been made in the financial statements. Due to that, Creditors and the expenditure had been overstated at the rate of Rs.1,000,000.
- (d) The sum of Rs.15,306,102 received from the Local Government Department as salary reimbursements during the year under review had been shown under one Program without being apportioned among all Programs.
- (e) Stamp Duties totalling Rs.254,542 payable since a number of years had been withheld in the General Fund of the Sabha without being remitted to the Commissioner General of Inland Revenue.
- (f) Although Value of Stock of Stationery and equipment as at 31 December of the year under review was Rs. 102,370, it had been shown as Rs. 81,220 in the financial statements. Due to that, expenditure relating to Supplies and Equipment had been understated in a sum of Rs. 21,150 in the financial statements.
- (g) Although provision in respect of 13 Works relevant to the preceding year had been received and payments had been finalized, provision amounting to Rs. 139,097 had been made as Provincial Council Grants Receivable during the year

under review as well. Due to that, Debtors and Revenue had been overstated to that extent in the financial statements.

- (h) Although provision amounting to Rs.1,273,647 had been made as an amount receivable in respect of 10 Works under Provincial Council Grants since a number of years, details relating to those 10 Works were not furnished to audit. Due to that, Debtors and Revenue had been overstated to that extent.
- (i) Provision amounting to Rs. 175,992 had not been made for 06 Works payable in respect of 06 Works out of the Sabha Fund. Due to that, Creditors and Capital Expenditure had been understated at the rate of Rs. 175,992.
- (j) Provision amounting to Rs.700,000 had not been made for 03 Works payable under the Program “From Door to Door-From Village to Village” of the year under review. Due to that, Creditors and Capital Expenditure had been understated at the rate of Rs.700,000.
- (k) Provision amounting to Rs.1,526,027 had not been made for 03 Works payable under the Maga Neguma Program of the year under review. Due to that, Creditors and Capital Expenditure had been understated at the rate of Rs.1,526,027.
- (l) Provision amounting to Rs.10,791,610 had not been made as Receivable and Payable for 03 Works under the Decentralized Provisions – 2013. Due to that, Debtors and Capital Grants and Creditors and Capital Expenditure had been understated to that extent.
- (m) Although the Grants to be paid for 15 Works of the year under review were Rs.4,696,988, provision amounting to Rs. 5,221,585 had been made. Due to that, Creditors and Capital Expenditure had been overstated in a sum of Rs.524,597.

1.3.4 Non-reconciled Control Accounts

A difference of Rs. 1,953,667 was observed between the balances shown according to the Control accounts and relevant subsidiary registers relating to 04 items of accounts.

1.3.5 Lack of Evidence for Audit

Ownership Deeds, updated Register of Fixed Assets, Board of Survey Reports, up dated Loan Registers, age analysis, Deposit Certificates, and Letters of Confirmation of balances were not furnished to audit with regard to transactions totalling Rs.110,314,750 shown in the financial statements.

1.3.6 Accounts Receivable and Payable

Action had not been taken to identify and clear a balance totaling to Rs.1,220,997 relevant to 04 items of accounts that had been existing for more than a period of 06 years.

2. Financial and Operating 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.7,831,630 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.677,925.

2.2 Revenue Administration

2.2.1 Rates

Although areas with road network, electricity facilities, telephone facilities, water facilities and facility of removal of Waste and garbage by the Sabha such as Yakkalamulla Town exist in the area of authority of the Sabha, action had not been taken to identify those areas and recover rates in terms of Section 134(1) and (2) of the Pradeshiya Sabha Act No.15 of 1987.

2.2.2 Acreage Tax

Action had not been taken to recover the Acreage Tax for the year under review and the past years amounting to Rs.215,792 in terms of Section 158(1) (a) of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.3 Lease Rent

Action had not been taken during the year under review to recover the Lease Rent for the year under review and the past years amounting to Rs.207,610 in terms of Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.4 License Fees

Action had not been taken during the year under review to recover the License Fees for the year under review and the past years amounting to Rs.37,500 in terms of Section 152(4) of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.5 Court Fines and Stamp fees

Court Fines amounting to Rs.323,210 and Stamp Fees amounting to Rs.6,400,790 were outstanding to be recovered from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2014.

2.2.6 Lease Rent of Stalls

Following matters were revealed at the physical inspection carried out on 09 April 2015 with regard to 39 stalls in the Yakkalamulla Market Complex belongs to the Sabha.

- (i.) Although it had been stated that the property taken on lease should not be sub-leased according to Condition 08 in the agreement, 04 stalls had been sub-leased.
- (ii.) Although 05 stalls in the market complex had been extended and partitioned with glass, there was no evidence to support that Sabha approval was obtained for those alterations.
- (iii.) While 08 stalls in the market complex had been closed down, 03 stalls had been used for storage of stocks.

3. Operational Review

3.1 Management inefficiencies

Although the Declaration of Assets and Liabilities as required in the Declaration of Assets and Liabilities Act No. 01 of 1975 as amended by the Act No. 74 of 1988 should be made by all members of the Sabha, the Declaration of Assets and Liabilities for the year 2014 had not been made by 08 Members.

3.2 Operating inefficiencies

Tractors and Machinery and Equipment

At the audit inspection carried out on 17 April 2014 with regard to the vehicle provided under this Program, following matters were observed.

- (i.) The Tipper Vehicle with a capacity of 2 cubes received outside the list of vehicles requirements submitted by the Sabha, had been parked in the Sabha ground without being utilized for any work up to the date of audit inspection.
- (ii.) While the Sabha had requested for a 05 Ton Road Roller, a 08 Ton Road Roller had been provided. It had not been possible engage that Road Roller in development works as it could not be run in the roads in the area of authority of the Sabha.
- (iii.) Any documents such as registration certificates, letters of transferring the ownership had not been received to the Sabha relating to the Tipper Vehicle, the Road Roller, the Water Bowser and the tractor provided to the Sabha.

4. Accountability and Good Governance

Budgetary Control

It was observed that there were variations of revenue between the budget estimates and the actual revenue and there were savings in certain items of expenditure. Accordingly, it was observed that the budget had not been made use of as an effective tool of management.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Revenue Administration
- (d.) Assets management