

**Yatiantota Pradeshiya Sabha**  
**Kegalle District**

**1 Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019 had been presented to audit on 27 February 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statements had been issued to the Chairman on 17 June 2020 and 19 August 2020 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the 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 Yatiantota Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a)	The stock of composts fertilizer produced during the year had not been brought to account.	Accounting should be made so as to reflect the correct position in the financial statements.	Previously, when calculating the initial fertilizer stock (raw, finished, non-finished), the stock of fertilizer produced in the stock was not adjusted.
(b)	It was failed even in the year under review to settle the balance of Rs.65,621 in the suspense account remained brought forward in the financial statements since the year 2016, and that balance had been brought to account under the balances payable.	Action should be taken to settle the suspense account.	The error will be identified and attempts are made to correct it.
(c)	There was a difference of Rs.672,409 in the staff loans receivables between the balance as per the financial statements as at the end of the year under review and the balance as per the staff loans register.	The financial statements and the subsidiary registers should be reconciled.	Action will be taken in the future to adjust the value in the financial statements and the actual balance of the staff loans.

- (d) The machinery and equipment totalling Rs.17,134,210 and the furniture and fittings valued at Rs.4,199,437 could not be satisfactorily verified in audit due to non-submission of detailed schedules.
- The evidence should be submitted to confirm the values shown in the financial statements.
- It has been identified that this problem has occurred due to non-updating of fixed assets registers. The accurate schedules for these values will be prepared and submitted during the year 2020.

#### 1.4 Non-compliances

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

<b>Reference to Laws, Rules, Regulations and Management Decisions</b> -----	<b>Non-compliance</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 571 (2)	Action had not been taken in respect of lapsed deposits amounting to Rs.104,435 relating to the period from the year 2006 to the year 2017.	Action should be taken in terms of Financial Regulations.	Noted down to make all possible settlements in the future.
(b) Public Administration Circular No.30/2016 dated 29 December 2016. paragraph 3.1	The fuel consumption tests of 10 vehicles of the Sabha had not been carried out.	Action should be taken in terms of the Circulars.	Action will be taken to rectify this as much as possible in the future.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2019 amounted to Rs.10,175,128 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.11,301,488.

## 2.2 Revenue Administration

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

The information relating to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	<u>2019</u>				<u>2018</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	4,614,228	5,010,974	4,993,213	808,734	4,959,036	4,959,036	4,257,495	790,972
(ii) Lease Rent	8,134,800	6,607,001	6,424,937	385,736	5,759,118	5,759,118	5,648,196	203,671
(iii) Licence Fees	2,243,050	1,125,719	1,178,903	-	828,335	828,335	775,151	53,184
(iv) Other Revenue	56,052,346	48,688,222	52,363,244	22,616,250	7,698,878	47,698,878	33,330,546	26,291,271

### 2.2.2 Leasing of Lands

#### Audit Observation

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 The revenue receivable from the land leases of Rs.171,670 remaining at the beginning of the year under review was failed to be recovered during the year under review. Out of that sum of Rs.21,000 had to be received prior to the year 2017. A sum of Rs.8,750 only had been received out of the billed revenue of Rs.95,565 relating to the year.

#### Recommendation

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 Arrears of revenue should be recovered immediately.

#### Comments of the Accounting Officer

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 Action can be taken to rectify during this year.

### 2.2.3 Lease Rent

#### Audit Observation

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 Due to the inability to tender the restaurant, No.2 of the Yatiyanthota weekly fair the revenue receivable from it had been deprived of.

#### Recommendation

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 Action should be taken to rectify the lapses and to lease out.

#### Comments of the Accounting Officer

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 Action will be taken in this regard in the year 2020.

#### 2.2.4 Advertisement Hoardings Charges Revenue

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Action had not been taken to recover a sum of Rs.182,750 receivable for display of advertisement hoardings.	----- Prompt action should be taken to recover arrears of revenue.	----- As an annual survey in respect of advertisement hoardings had been done properly in the year 2020, this problem can be solved in the future.

#### 2.2.5 Court Fines and Stamp Fees

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- The Court Fines and Stamp Fees receivable as at 31 December 2019 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.5,018,625 and Rs.14,191,037 respectively and the balance unrecovered and elapsed over one year amounted to Rs.8,534,602.	----- Action should be taken to identify revenue receivable to the Sabha and to recover.	----- All the stamp fees and court fines receivable had been requested from the Provincial Council.

### 3. Operating Review

#### 3.1 Performance

The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters of public health, public utility services, and thoroughfares and the comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

#### Action Plan

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- The performance reports to indicate progress had not been prepared according to the Annual Action Plan and as such the achievement of expected goals could not be examined.	----- Action should be taken to prepare performance reports so as to indicate the progress as per the Action Plan.	----- Action will be taken to rectify in the year 2020.

### 3.2 Management Inefficiencies

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) ----- The fixed deposit amounting to Rs.5,000,000 had been released on 28 February 2019, with an intention to construct a permanent building for the public library, to set up the vehicle parking close to the Yatiyanthota Public Market and to deploy the balance money for the development proposals of the Sabha. Nevertheless, the above money had been invested again in a fixed deposit on 15 August 2019 due to delays in the preliminary works on the library building. As such the interest on fixed deposit from 28 February to 15 August 2019 amounting to Rs. 208,250 had been deprived of by the Sabha.	----- Tasks should be planned systematically and funded in a timely manner.	----- Internal awareness has been activated to prevent such type of errors in the future.
(b) According to paragraph 04 of the Local Government Circular No.07/2010, a record of historical sites and buildings such as Belilena in the authoritative area should have been maintained and the public awareness programs on the importance of protecting the built environment including those sites should have been held, but those had not been done.	Action should be taken in terms of the Circular.	In implementation of annual plans during the year 2020, special attention has been paid to this.
(c) Action had not been taken to develop the scenic places in the area as tourist destinations, and to promote public facilities and turn them into revenue generating sources.	Action should be taken to promote public facilities and to generate revenue.	Action will be taken to identify and execute the projects that can be done on the strength of the Pradeshiya Sabha and to refer to other institutions for the matters that can be accomplished by them.
(d) The total value of payable accounts which elapsed over 05 years as at the end of the year under review amounted to Rs.5,371,007.	Action should be taken to settle the payable balances.	Action will be taken to release during the year 2020.

### 3.3 Human Resources Management

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Twenty six vacancies had remained in 15 categories of posts and eleven of the above 26 vacancies were filled on a casual and substitute basis.	Action should be taken to complete the cadre properly.	Comments not furnished.
(b) Even though, there is a post of Ayurvedic Medical Officer and a post of Dispensar in the approved cadre, necessary action had not been taken to maintain an Ayurvedic Centre.	Action should be taken to accomplish the activities on public health promotions.	The possibility of expanding the Ayurvedic Services will be explored in the future.
(c) A loan amount of Rs.184,856 recoverable from 39 employees who were retired, vacated of posts, and transferred on station transfers relating to the period from January 1985 to August 2015 had not been recovered.	Action should be taken to recover outstanding employees loans.	Efforts are being made to find solutions to these problems caused due to the weaknesses in the maintenance and control of the employee loan subject.

### 3.4 Operating Inefficiencies

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) The gully service could not be provided to the urban people during the year under review due to the lack of a system to dispose of gully waste.	Special attention should be paid in respect of the services needed for the urban people.	Action will be taken to update this service in the future.
(b) Even though, 51 cemeteries had been identified in the authoritative area of the Sabha, action had not been taken to declare as a Cemetery under the provisions of the cemeteries and Grave Yard Ordinance and for vesting the lands used as cemeteries, to enact by-laws to regulate the administration of cemeteries and to maintain a register including all information.	Action should be taken in terms of the provisions of the Cemeteries and Grave Yard Ordinance.	The situation pointed out has arisen as there is not enough time for the rest of the work after the initial identification work has been done. Necessary action will be taken to regularize in the future.

**3.5 Assets Management**

**(a) Failure to update Assets Registers**

**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

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Action had not been taken to identify the land and buildings of the Sabha, and update the Register of Fixed Assets and to protect the assets belonging to the Sabha.

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Action should be taken to recognize the land and buildings, to update the Register of Fixed Assets and accounted for.

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Action will be taken to update the Assets Register in the future.

**(b) Assets not Vested**

**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

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Action had not been taken to transfer the ownership of 13 motor vehicles valued at Rs.39,547,420 provided by the Ministry of Provincial Councils and Local Government and Sabaragamuwa Provincial Council.

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Action should be taken to transfer the ownership of the respective motor vehicles.

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Action will be taken to investigate thereon in the future.

**(c) Idle Assets**

**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

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Six motor vehicles valued at Rs.4,124,600 had remained idle for a period ranging from 04 years to 10 years.

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In terms of paragraph 02(b) of the Assets Management Circular No.01/2018 dated 19 March 2018, the vehicles which were not in running condition should be disposed.

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Action will be taken in the future to dispose properly these vehicles which could not be utilized and removed from use.

4. **Accountability and Good Governance**  
**Budgetary Control**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- The entire provisions amounting to Rs.3,178,312 made for 22 objects in the budget for the year under review and the 50 per cent of provisions made for 24 objects amounting to Rs.1,843,403 had not been utilized.	----- The provisions should be made systematically and action should be taken to utilize that provisions effectively.	----- This problem occurred in making budget estimates and in managing of expenditure will be rectified in the future.