

Bibile Pradeshiya Sabha

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Moneragala District  
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1. Financial Statements

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1.1 Presentation of Financial Statements  
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Financial Statements for the year under review had been submitted to Audit on 31 March 2016 while Financial Statements relating to the preceding year had been submitted on 5 June 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 17 June 2016.

1.2 Opinion

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In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Bibile Pradeshiya Sabha as at 31 December 2015 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

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1.3.1 Non-compliance with Public Sector Accounting Standards of Sri Lanka  
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Action had not been taken to prepare accounts for the year under review in compliance with Public Sector Accounting Standards of Sri Lanka.

1.3.2 Accounting Deficiencies

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Following matters are observed.

- (a) Action had not been taken to get assessed the value of 54 plots of land belong to the Sabha by a qualified member of assessment profession in order to account the reasonable value.
- (b) Although the value of 25 plots of Lands and 12 Buildings belong to the Sabha had been shown as Rs. 186,501,110, action had not been taken to get assessed those by a qualified member of assessment profession in order to account the reasonable value.
- (c) Although the value of General Stores Stock as at 31 December of the year under review was Rs. 76,090, it had been accounted as Rs.467,634, overstating a sum of Rs. 391,544 in the accounts.
- (d) General Stores Material Consumption Expenditure amounting to Rs. 681,424 of the year under review had not been accounted under expenditure.

- (e) Although the Drug Stock Consumption Expenditure as at 31 December of the year under review was Rs. 119,282, it had been accounted as Rs. 425,618 overstating a sum of Rs. 306,336 in the accounts.
- (f) Value of Drugs amounting to Rs. 544,900 received as donations at the end of the year under review had not been accounted.
- (g) Sundry Income of Rs. 530,913 at the end of the year under review had been accounted as Sundry Deposits without being accounted as revenue.
- (h) Out of Courts Fines Revenue Receivable at the end of the year under review value of service charges amounting to Rs. 117,055 had not been adjusted. Due to that, the value of Court Fines Receivable had been overstated in a sum of Rs. 117,055 in the accounts.
- (i) Rates Revenue amounting to Rs. 1,024,361 received at the end of the year under review for the ensuing year had not been accounted as receipt in advance.

### 1.3.3 Non-reconciled Control Accounts

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While total of balances relevant to 08 items of accounts according to financial statements was Rs. 41531,382, balance according to the subsidiary registers had been Rs. 24,606,868.

### 1.3.4 Accounts Receivable and Payable

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Following matters are observed.

- (a) Action had not been taken to recover Accounts Receivable balances amounting to Rs.1,535,337 as at 31 December of the year under review.
- (a) Action had not been taken to settle Accounts Payable balances amounting to Rs.2,019,059 as at 31 December of the year under review.

### 1.3.5 Lack of Evidence for Audit

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An item of assets amounting to Rs. 270,000,220 and an Items of liabilities amounting to Rs. 291,359 could not be satisfactorily vouched in audit due to non-submission of required Information to Audit.

## 2.1 Financial Results

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year under review ended 31 December amounted to Rs.11,759,228 as against the excess of recurrent expenditure over revenue for the preceding year amounted to Rs. 43,192,288. Accordingly the net increase in the financial results had been Rs. 54,951,516.

## 2.2 Revenue Administration

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### 2.2.1 Arrears of Revenue

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Action had not been taken to recover Arrears of Revenue amounting to Rs. 7,965,588 as at the end of the year under review in terms of Section 158 and 159 of the Pradeshiya Sabha Act No. 15 of 1987.

### 2.2.2 Rates

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- (a) While the Rates Revenue billed during the year under review was Rs. 3,236,921 a sum of Rs. 1,338,864 only had been collected even as at the end of the year under review While it had been a low percentage such as 41 per cent and accordingly recovery of Rates had been at a very low level.
- (b) While the balance of Rates in arrears as at 01 January of the year under review was Rs. 5,772,520, a sum of Rs. 1,253,137 had been recovered out of those arrears during the year. Accordingly, percentage of recovery of arrears had been 22 per cent . Arrears of Rates had been gone up annually.
- (c) Necessary action had not been taken to recover a sum of Rs. 4,519,383 due to be recovered in respect of past years.
- (d) Action in terms of provisions in Sections 155, 156, 158, 159, 162 and 163 of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover a sum of Rs. 692,049 to be recovered from 25 Rates Units having balances in arrears more than Rs. 10,000 up to the year under review.

### 2.2.3 Transmission Tower Charges

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Action had not been taken to recover Annual Tax for 07 Transmission Towers erected in the area of authority of the Sabha in terms of provisions in Section 152 of the Pradeshiya Sabha Act No. 15 of 1987 even up to the end of the year 2015..

### 2.2.4 Lease Rent

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- (a) Revenue amounting to Rs. 9,849,600 had been lost to the Sabha in respect of the years 2013, 2014 and 2015, due to failure in leasing out 67 Trade Stalls in Bibile Public Market belongs to the Sabha as per valuation report No. MO/RP/363 dated 28 July 2014.
- (b) While 14 stalls out of 18 stalls in the Vegetable Market belongs to the Sabha had been leased out for a monthly rent of Rs. 500, contrary to Rules No. 177 and No. 178 of the Pradeshiya Sabha (Financial and administrative Rules Series of 1988 and provisions in the Government Procurement Guidelines, rent relevant to the year under review had not been recovered.

#### 2.2.4 Court Fines and Stamp Fees

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A sum of Rs. 3,915,465 on account of Court Fines and a sum of Rs. 4,676,267 on account of Stamp Fees were due to be recovered from the Chief Secretary to the Provincial Council and other authorities as at 31 December of the year under review.

#### 2.3 Surcharges

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A sum of Rs.16,287 was due to be recovered as at 31 December of the year under review in connection with surcharges imposed by me against the persons responsible, in terms of provisions in the Pradeshiya Sabha Act No 15 of 1987.

#### 3. Operational Review

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##### 3.1 Operational Inefficiencies

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Although the Local Authorities should function as a supplier of services for operations and maintenance of street lamps on the basis of payment of fees, in terms of clause 2.1 of the letter dated 17 August 2010 of the Secretary to the Ministry of Power, an expenditure of Rs. 209,860 had been incurred for that out of the Sabha Fund during the year under review, without taking action accordingly.

##### 3.2 Human Resources Management

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- (a) Salaries amounting to Rs. 518,397 had been paid having recruited three employees for the posts of Sanitary Laborer and Driver on casual and substitute basis during March to December 2015 without prior written approval of the Commissioner of Local Government in terms of provisions in Section 19 (1) (1) of the Pradeshiya Sabha Act No. 15 of 1987.
- (b) Sixteen employees more than the approved cadre relevant to 5 posts of the Bible Pradeshiya Sabha had been engaged.
- (c) Contrary to provisions in the Financial Regulation 71 of the Republic of Sri Lanka and Public Administration Circular No. 25/2014 dated 12 November 2014, three employees served as Library Assistant, Sanitary Laborer and Driver on casual and substitute basis, had been appointed to the permanent service outside the approved cadre.

##### 3.3 Improper Transactions

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Equipments amounting to Rs. 207,480 had been purchased for 2 Pre-schools not belong to the Sabha without written prior sanction of the Minister in terms of provisions in section 132 (j) and (k) of the Pradeshiya Sabha Act No. 15 of 1987.

### 3.4 Contracts Administration

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Following matters are observed in this connection.

- (a) The estimate valued at Rs. 10,415,143 relating to second stage of construction work of the Bibile Commercial Building had been divided into 4 parts and had been assigned to 4 societies during the year 2014, deviating from the procurement procedure. Although the construction work should be completed during May 2015 in terms of the agreement, parts of work valued at Rs.3,141,647 only had been fulfilled even up to 13 May 2016.
- (b) An estimate for Rs. 500,644 had been prepared for concreting the ground for parking construction vehicles of the commercial building under the Project for Strengthening Pradeshiya Sabha. For fulfilling that work on direct labor basis a sum of Rs. 447,117 had been spent having prepared an estimate of Rs.457,117 for materials. While materials purchased had not been entered in the stock registers, a work completion report and a statement of cost analysis had not been prepared. At the physical inspection carried out on 17 May 2016, it was revealed that there were ruptures from place to place in the concrete floor constructed and some places were not properly filled.

### 3.5 Assets Management

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Idle and Under-utilized assets

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Following matters are observed.

- (a) Motor Grader, Tipper Vehicle, Crew Cab, Compact Machine and Backhoe Loader received to the Sabha during the years 2014 and 2015 had been parked in the Sabha without being used due to lack of drivers, operators and assistants.
- (b) While 13 barbed wire rolls valued at Rs. 94,000 had been purchased by the Sabha during the year 2012, out of that 13 rolls valued at Rs. 61,100 had been stored in the stores without getting any use.

## 4. Good Governance and Accountability

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### 4.1 Budgetary Control

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According to material variances reflecting between the estimated revenue and expenditure through the budget prepared for the year under review by the Sabha and the actual revenue and expenditure for the year, the Budget had not been made use of as an effective tool of revenue and expenditure control.

#### 4.2 Fulfillment of Environmental and Social Responsibilities

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Although every Public Institution in fulfillment of own vision and mission should identify Environmental and Social Responsibilities relevant to that institution and follow strategy for fulfillment of those, a methodology had not been prepared and implemented by the Sabha for identification of their Environmental and Social Responsibilities.

#### 4.3 Annual Procurement Plan

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An Annual Procurement Plan had had not been prepared for the year under review by the Sabha.

#### 4.4 Internal Audit

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An adequate internal audit had not been carried out through the Internal Audit Unit of the Uva Provincial Council.

#### 4.5 Audit and Management Committee

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Action had not been taken to establish Audit and Management Committees in terms of Internal Audit Guidelines Circular No. DMA/2009/(1) dated 9 June 2009 of the Management Audit Department, even up to the year under review.

#### 5. Systems and Controls

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Special attention is needed in the following areas of controls.

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Vehicles Control
- (f) Stores Control
- (g) Contracts Administration.