

Bibila Pradeshiya Sabha

Monaragala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to Audit on 26 March 2018 and the Report of the Auditor General relating to those Financial Statements had been sent to the Chairman on 26 June 2018.

1.2 Qualified Opinion

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 Bibila Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed during the course of audit.

- (a) In accounting the value of the water filter constructed in the year under review, the Value Added Tax amounting to Rs.3,785,870 had been capitalized as well.
- (b) The value of the Front Office amounting to Rs.103,452 constructed in the year under review, had not been capitalized.
- (c) A sum of Rs.900,000 received for purchase of equipment required to convert the Bibila Public Library into an electronic library, had been credited to the General Deposit Account and incurred relevant expenditure. However, the said sum had not been transferred from the General Deposit Account and credited to the Capital Aid Account.
- (d) Even though a sum totalling Rs.1,986,637 received in the years 2015 and 2016 relating to the works of constructing a causeway across the Kanawegalla Patupana Oya had been credited to the General Deposit Account and incurred relevant expenditure, the said sum had not been transferred from the General Deposit Account and credited to the Capital Aid Account.
- (e) A sum of Rs.551,895 receivable for the preceding years relating to the programme on strengthening the Pradeshiya Sabhas had not been brought to account as Capital Aid receivable.

- (f) A sum of Rs.294,480 incurred for buildings and fittings, had not been capitalized.
- (g) Office equipment, wooden furniture and fittings valued at Rs.308,065 purchased and received as donations in the year under review, had not been capitalized.
- (h) According to Standing Orders, a sum of Rs.2,062,120 paid to the Domestic Loans and Development Fund, had been credited to the Expenditure Creditors' Account. As such, the Expenditure Creditors and the cash balance had been overstated by that amount.
- (i) The allowance of the Secretary of the Sabha amounting to Rs.120,000 payable for the year under review had not been brought to account.
- (j) In accounting arrears of stall rent amounting to Rs.497,750 receivable for the preceding years, it had been brought to account under receivable stall rent and credited to the revenue of the year under review.
- (k) The interest income from fixed deposits receivable as at 31 December of the year under review amounted to Rs.2,137,770. However, it had been overstated by Rs.4,621,459 and shown as Rs.6,759,229, in the accounts.

1.3.2 Unreconciled Accounts

According to financial statements, the balance relating to 06 Items of Accounts totalled Rs.39,322,333 whereas the balance amounted to Rs.40,051,225 according to registers and schedules.

1.3.3 Accounts Receivable and Payable

Accounts Payable

- (i) Action had not been taken to remit the stamp fee of Rs.190,969 charged in entering into agreements, to the Commissioner General of Inland Revenue.
- (ii) Action had not been taken even in the year under review to settle the balance of Local Government pensions payable amounting to Rs.643,495 brought forward from a long period.

1.3.4 Lack of Evidence for Audit

An item of asset valued at Rs.349,946,458 and three items of liabilities totalling Rs.4,917,193 could not be satisfactorily verified in audit due to failure to furnish necessary information.

1.3.5 Non-compliances

Non-compliances with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are shown below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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	Rs.	
(a) Pradeshiya Sabha Act, No.15 of 1987		

(i) Section 139	-	Action had not been taken in order to enable the assessment of the annual value of any house, building, land or tenement liable to be rated.
(ii) Section 159	7,539,424	Arrears of Revenue had not been recovered as at the end of the year under review.
(iii) Sections 158, 162 and 163	4,445,237	Action had not been taken in respect of arrears of rates as at 31 December of the year under review.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		

(i) Financial Regulations 103 and 104	-	Inquiries had not been carried out in respect of 03 vehicle accidents occurred.
(ii) Financial Regulation 1645	-	The Log Books including all details of each vehicle belonging to the Sabha, had not been maintained in an updated manner since the year 2014.
(c) Public Administration Circular No.30/2016 of 29 December 2016	-	The fuel consumption check had not been carried out in respect of 06 vehicles belonging to the Sabha.

- (d) Gazette Extraordinary No.392/9 dated 10 March of the Democratic Socialist Republic of Sri Lanka and Circular No.08/01/38 dated 20 March 1985 of the Director General of the Urban Development Authority -
- (i) The approval of the Planning Committee had not been obtained relating to 04 constructions which had been carried out in the area of authority of the Sabha.
- (ii) Certificates of Confirmity had not been issued by the Sabha for 162 plans out of the building plans approved in the years 2014, 2015 and 2016.
- (e) Circular No.22/1988 of 17 May 1988 of the Commissioner of Local Government - The lease rent of 131 stalls leased out, had not been assessed.

02. Financial 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 2017 had been Rs.32,367,704 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs.19,103,448.

2.2 Revenue Administration

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

Details on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year are as follows.

Source of Revenue	2017				2016			
	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	11,320,250	11,527,795	7,572,993	3,954,802	9,640,756	9,581,069	5,703,312	3,918,557
(ii) Rent	6,853,200	9,863,548	3,503,560	6,359,988	6,489,000	6,489,000	2,724,366	3,764,634
(iii) Licence Fees	150,000	150,000	144,050	5,950	125,000	125,000	132,500	-
(iv) Other Revenue	8,642,999	8,642,999	15,943,210	-	4,630,000	4,630,000	8,906,947	-
Total	26,966,449	30,184,342	27,163,813	10,320,740	20,884,756	20,825,069	17,467,125	7,683,191

2.2.2 Performance of Collection of Revenue

The total revenue billed in the year under review amounted to Rs.30.1 million while a sum of Rs.27.1 million of that had been collected by the end of the year and it represented 90 per cent of the total billed value.

2.2.3 Rates and Taxes

(a) Out of the revenue from rates and taxes amounting to Rs.3,213,266 billed in the year under review, a sum of Rs.1,365,080 had been collected by the end of the year and it was at a level as low as 43 per cent of the total billed value.

(b) Out of the arrears of revenue from rates and taxes amounting to Rs.5,566,870 existed at the beginning of the year under review, a sum of Rs.2,574,025 had been collected during the year. Accordingly, the percentage of collection of arrears of rates and taxes had been at a level as low as 46 per cent.

2.2.4 Other Revenue

(a) Action had not been taken to recover a sum of Rs.52,500 recoverable from the year 2016 for 03 permanent hoardings fixed by 03 institutions in various places in the area of authority of the Sabha.

(b) Lease rent of 01 per cent had not been recovered from 03 hotels and lodgings registered in the Sri Lanka Tourist Board maintained in the area of authority of the Sabha.

2.2.5 Court Fines and Stamp Fees

Court fines and stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017 amounted to Rs.2,382,715 and Rs.4,983,655 respectively.

03. Operating Review

3.1 Performance

In terms of Section 3 of the Pradeshiya Sabha Act, the matters revealed in respect of the performance of functions of the Sabha such as regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people within the area.

(a) By Laws

In terms of Section 126 of the Pradeshiya Sabhas Act, By Laws should have been enacted for performing 30 main purposes. However, By Laws had been enacted only for 22 purposes even by 31 December 2017.

(b) Action Plan

According to the By Laws enacted, the functions that should have been performed by the Sabha had been decided. Nevertheless, an Annual Action Plan had not been prepared.

(c) Solid Waste Management

- (i) Even though action had been taken to accept the Uva Provincial By Law published by the Gazette No.1816/43 dated 28 June 2013 of the Democratic Socialist Republic of Sri Lanka, in terms of Section 2 of Part 13 thereof, the expenditure on waste management incurred in the year under review by levying garbage tax, had not been settled.
- (ii) An Annual Action Plan had not been prepared on waste management by the Sabha.
- (iii) Even though a sum of Rs.1,484,376 received under Provincial Specific Development Grants in the year 2009 and a sum of Rs.94,915 had been spent from the Fund of the Sabha for the Solid Waste Management Project, the activities of production of compost had not been carried out even by the end of the year under review.

(d) Sustainable Development Goals

The Sabha was not aware of the 2030 Agenda on Sustainable Development Goals and as such, long term plans for the improvement of the living standards and health of the people in the area of authority of the Sabha through global indices for the said goals had not been prepared even by 28 May 2018.

3.2 Operating Inefficiencies

- (a) Even though a decision had been made on the approval of the Chief Minister to provide 02 stalls of the multitask building to two people with low income, those stalls had remained idle in the year under review without being utilized for any purpose whatsoever.
- (b) In terms of Sections 19(xi) and 19(xii) of the Pradeshiya Sabha Act, No.15 of 1987, the prior written approval of the Minister should be obtained in renting out or leasing out a land or a building belonging to the Sabha for a period exceeding 03 years, However, 05 stalls of the multitask building belonging to the Sabha had been leased out for a period of 15 years without obtaining such approval.

- (c) Action had not been taken even by the end of the year under review to rectify the relevant deficiencies and to enter into agreements again in respect of 181 stalls for which agreements had been entered into with lessees without mentioning the lease period.

3.3 Assets Management

3.3.1 Assets not vested

Action had not been taken to vest the ownership of 50 cemeteries.

3.4 Procurement

3.4.1 Procurement Plan

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

3.4.2 Contract Administration

- (a) A feasibility study report had not been prepared for the works carried out by the Fund of the Sabha.
- (b) According to the undated Letter No.12/3/10/07 of November 2017 of the Commissioner of Local Government, follow up action should be taken as to whether the expectations of the beneficial people are fulfilled and on carrying out maintenance. However, no appropriate procedure had been arranged therefor.

04. Accountability and Good Governance

4.1 Budgetary Control

Significant variances were observed between the budgeted and the actual income and expenditure of the Pradeshiya Sabha relating to the year under review, thus indicating that the budget had not been made use of as an effective instrument of control.

4.2 Audit and Management Committee

Adequate audit and management committee meetings for the year under review had not been held in the Sabha.

05. Systems and Controls

Deficiencies observed during the course of Audit were brought to the notice of the Sabha from time to time and special attention is needed in the following areas of control.

System	Deficiency
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(a) Accounting	Non-maintenance of books of accounts and registers in an updated manner.
(b) Human Resources Management	(i) Non-approval of the cadre (ii) Assignment of duties irrelevant to the permanent post
(c) Projects	Lack of adequate supervision
(d) Revenue Administration	Non-maintenance of Registers in an updated manner
(e) Assets Control	Failure in taking action to vest the lands belonging to the Sabha