

Monaragala 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 28 March 2018. The Report of the Auditor General relating to those financial statements was sent to the Chairman of the Sabha 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 Monaragala 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 in the course of audit.

- (a.) As the value of Rs. 349,337 relating to the buildings torn down in the preceding years, had not been eliminated from the financial statements even in the year under review, the lands and buildings had been overstated by that amount.
- (b.) Value Added Tax amounting to Rs. 6,401,362 paid during the construction of new office building of the Sabha and the weekly fair in Monaragala, had not been capitalized.
- (c.) Ten library shelves and 02 children's tables valued at Rs. 136,330, had not been capitalized.
- (d.) The computer valued at Rs. 83,900 and granted to the public library by the Ministry of Provincial Councils and Local Government, had not been brought to accounts.
- (e.) The water pump and the 1000 liter water tank purchased in the year at the total value of Rs. 110,700, had not been capitalized.
- (f.) The air-conditioning system worth Rs. 95,000 newly fixed to the gully bowser, had not been capitalized.

- (g.) Surety deposits of employees amounting to Rs. 53,119 relating to the preceding years, had been debited to the Accumulated Fund without being debited to the Investment Account.
- (h.) Surety deposits of employees amounting to Rs. 91,120 that had been invested, had not been shown as investments under current assets.
- (i.) Discounts of Rs. 170,728 given in the recovery of Rates, had been credited to the Outstanding Rates Account without being credited to the Rates Account.
- (j.) A sum of Rs. 361,634 received in respect of a work carried out for a Government institution, had been credited to the Deposit Account, and also brought to the accounts under industry creditors as well.
- (k.) The processing fee of Rs. 150,000 charged on an unauthorized construction had been credited to the General Deposits Account instead of being credited to the income.

1.3.2 Accounts Receivable and Payable

(a.) Accounts Receivable

- (i) Action had not been taken even up to the end of the year under review to recover a sum of Rs. 4,771,469 receivable from the Ceylon Electricity Board for handing over the electricity supply service of the Sabha in the year 1987.
- (ii) Action had not been taken even in the year under review to recover the balance of Rs. 5,260,292 shown as unidentified other income in arrears.

(b.) Accounts Payable

Action had not been taken even in the year under review to settle a sum of Rs. 4,872,912 payable with respect to trade stalls vested in the Sabha after being built by the Urban Development Authority in the years 1989 and 1990.

1.3.3 Lack of Documentary Evidence for Audit

As the required information had not been made available, 03 Items of Assets valued at Rs. 11,204,777, and an Item of Liability valued at Rs. 4,872,912 could not be satisfactorily verified in audit.

1.3.3 Non-compliances

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

Instances of non-compliances with Laws, Rules, Regulations, and Management Decisions are as follows.

Reference to Laws, Rules, Regulations, and Management Decisions -----	Value -----	Non-compliance -----
	Rs.	
(a.) Sections 158, 161, 162, 163, and 166 of the Pradeshiya Sabhas Act No. 15 of 1987.	12,016,808	Action had not been taken on the Rates in arrears.
(b.) Rule, No. 214 of the Pradeshiya Sabha (Financial and Administrative) Rules of 1988.	-	Items of the stores had not been verified through a Board of Survey at the end of each year in terms of the provisions set out in Rule, No. 203.
(c.) Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.	260,308	Necessary action had not been taken relating to employee loans remaining unrecovered.

02. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue of the Sabha over recurrent expenditure for the year ended 31 December of the year under review amounted to Rs. 23,853,827 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs. 23,436,162.

2.2 Revenue Administration

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

Information on the estimated revenue, billed revenue, collected revenue, and revenue in arrears, relating to the year under review and the preceding year, is given below.

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	15,628,318	15,604,660	8,204,057	7,400,603	15,299,210	15,260,311	5,529,860	9,730,451
(ii) Rents	-	7,748,646	6,872,640	876,005	-	8,346,855	6,206,145	2,140,710
(iii) License Fees	-	680,000	1,263,850	-	-	755,765	755,765	-
(iv) Other Revenue	-	20,182,480	8,758,528	11,423,953	-	17,238,364	10,522,724	6,715,640
Total	15,628,318	44,215,786	25,099,075	19,700,561	15,299,210	41,601,295	23,014,494	18,586,801

2.2.2 Performance in Collecting Revenue

Of the total revenue billed in the year under review amounting to Rs. 44.2 million, only a sum of Rs. 25 million had been collected by the end of the year under review indicating a value as low as 57 per cent of the total value billed.

2.2.3 Rates and Taxes

- a) Of the Rates revenue billed for the year under review amounting to Rs. 11,945,130, a sum of Rs. 5,176,153 had been collected by the end of the year, indicating a value as low as 43 per cent of the total value billed.
- b) Of the Rates revenue that remained in arrears at the beginning of the year amounting to Rs. 21,011,920, a sum of Rs. 8,995,112 was collected during the year. Accordingly, the percentage of the recovery of Rates in arrears remained as low as 43 per cent.

2.2.4 Rents

- a) Action had not been taken in terms of Section 159 of the Pradeshiya Sabhas Act No. 15 of 1987 relating to a sum of Rs. 770,097 recoverable from 04 properties leased out in the preceding years.
- b) Lease rents amounting to Rs. 26,237 had not been recovered from fish stall Nos 27 and 29 in the town of Monaragala.

- c) A sum of Rs. 101,000 from the lease rent of Rs. 144,000 relating to the trade stall No. 01 of Gangabada, had not been recovered even by the end of the year under review.

2.2.5 Other Income

- a) Charges on water totalling Rs. 912,950 relating to the year under review and the preceding years, had not been recovered even up to the end of the year.
- b) Action had not been taken even in the year under review to recover the sum of Rs. 70,027 that had remained non-recoverable over many years relating to the motor grader given on rent.
- c) Taxes up to 1 per cent had not been recovered from 04 hotels and lodging houses being maintained in the area of the Sabha under the registration of Sri Lanka Tourist Board in terms of the Gazette, No. 1995, dated 25 November 2016.

2.2.6 Court Fines and Stamp Fees

The court fines and stamp fees that remained receivable from the Chief Secretary of the Provincial Council and the other officers amounted to Rs. 805,108 and Rs. 10,314,821 respectively as at 31 December 2017.

2.3 Surcharges

A sum of Rs. 665,613 had remained recoverable as at 31 December of the year under review with respect to the surcharges imposed in the preceding years against the persons responsible in terms of provisions of the Pradeshiya Sabhas Act.

03. Operating Review

3.1 Performance

Matters revealed in the 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 in terms of Section 3 of the Pradeshiya Sabhas Act, are as follows.

- a) Bylaws

Bylaws should have been made under Section 126 of the Pradeshiya Sabhas Act to carry out 30 main activities, but bylaws had been made only on 14 activities even up to 31 December 2017.

b) Action Plan

Although the activities that should have been executed by the Sabha in terms of the bylaw made, had been decided, an annual Action Plan had not been prepared.

c) Solid Waste Management

Although action had been taken to comply with the bylaw of the Uva Provincial Council published through the Gazette, No. 1816/43 of the Democratic Socialist Republic of Sri Lanka, dated 28 June 2013, the expenditure incurred on waste management in the year under review had not been settled by imposing garbage tax in terms of Section 2 in Part 13 of the said bylaw.

d) Sustainable Development Goals

As the Sabha had not been aware of the 2030 Agenda for Sustainable Development adopted by the United Nations, the long-term plans to uplift the living standard and health of the people in the area of authority of the Sabha through the Global indicators relating to those goals, had not been formulated even up to 25 May 2018.

3.2 Human Resource Management

Thirty three persons had been recruited for 07 posts in excess of the approved cadre.

3.3 Operating Inefficiencies

- a) When lease rents had been recovered on all the trade stalls given on lease by the Sabha, action had not been taken to recover penalties on late payments in terms of the agreements.
- b) Action had not been taken to assess the lease rents of 136 trade stalls owned by the Sabha in terms of Section 136 of the Pradeshiya Sabhas Act No. 15 of 1987, and the Circular, No. 1980/46 of the Commissioner of Local Government, dated 31 December 1980.
- c) Despite a lapse of 17 years since the date of leasing out 11 trade stalls at the new bus station, action had not been taken to enter into agreements with the lessees.
- d) Three trade stalls at the new bus station had been given on lease without following the Procurement procedure.

3.4 Procurement

3.4.1 Procurement Plan

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

3.4.2 Supplies and Services

- a) When procurement notices had been published by the Sabha, quotations had been called under national competitive bidding by including conditions so as to restrict the suppliers.
- b) Without warranty certificates from the manufacturer or an authorized seller, 07 computers, a finger print scanner, and a digital camera valued at Rs. 863,990 had been purchased.
- c) Action had not been taken to obtain recommendations of the Technical Evaluation Committee by preparing technical specifications prior to purchasing equipment.

3.4.3 Contract Administration

- a) Construction works had been assigned to community-based societies without obtaining recommendations of a Committee comprising a representative nominated by the Head of the Department and 2 representatives nominated by the Divisional Secretary.
- b) The filling of shoulders of the concreted roads, had not been included in the estimates.

04. Accountability and Good Governance

4.1 Budgetary Control

As significant variances were observed between the budgeted revenue and expenditure, and the actuals of the Pradeshiya Sabha relating to the year under review, the budget had not been made use of as an effective instrument of management control.

4.2 Audit and Management Committees

The Sabha had not taken action to adequately conduct meetings of the Audit and Management Committee for the year under review.

05. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

	System -----	Deficiency -----
(a.)	Accounting	Failure to maintain books of accounts and registers in an up-to-date manner.
(b.)	Assets / Properties	(i) Failure to record in registers. (ii) Failure to maintain the main inventory register.
(c.)	Human Resource Management	Failure to obtain approval for the staff.
(d.)	Contract Administration	Lack of supervision.