

Bibile Pradeshiya Sabha

Monaragala District

1. **Financial Statements**

1.1 **Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 14 July 2014 and the financial statements for the preceding year had been presented on 29 July 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 10 September 2014.

1.2 **Opinion**

Except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Bibile Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations and cash flows for the year then ended.

1.3 **Comments on Financial Statements**

1.3.1 **Accounting Deficiencies**

- (a) Advances valued at Rs.110,654 obtained for various purposes as at end of the year under review had not been settled.
- (b) The balance of the stall rent in arrears account as at end of the year under review was Rs.636,579 and as per the ledger it was Rs.728,335. Therefore, stall rent had been overstated by Rs.91,756.
- (c) Lease rent in arrears amounting to Rs. 277,986 as at end of the year under review due from meat and fish stalls leased out on tenders during 2004 to 2012 had not been recovered and also not brought to account.
- (d) The value of the Udububula Resort owned by the Sabha had not been assessed and brought to account under land and buildings.

1.3.2 **Unreconciled Control Accounts**

The total of the balances of 02 items of accounts as per financial statements amounted to Rs.198,566,551 and the balance as per registers was Rs.11,904,127.

1.3.3 **Lack of Evidence for Audit**

Two items of assets totaling Rs.187,845,460 and 02 items of liabilities amounting to Rs.38,414,995 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

1.3.4 **Non – compliance with Laws, Rules , and Regulations**

Nine persons had been recruited without the written prior approval of the Commissioner of Local Government contrary to the requirements of Section 19(1)(i) of the Pradeshiya Sabha Act No.15 of 1987 and a sum of Rs.855,943 had been paid from the Sabha funds.

2. **Financial Review**

2.1 **Financial Results**

According to the financial statements presented, the excess of income over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.5,959,401 as compared with the excess of income over recurrent expenditure amounting to Rs.8,871,558 for the preceding year and the net decrease of the financial result was Rs.2,912,157.

2.2 **Revenue Administration**

2.2.1 **Rates and Taxes**

- (a) Rates and taxes in arrears as at end of year 2010 had been increased from Rs.2,010,809 to Rs.4,669,363 during the period up to end of the year under review.
- (b) The progress of recovery of rates and taxes in arrears as at end of year 2012 and 2011 was less as 11% to 17%.
- (c) Rates and taxes in arrears amounting to Rs.209,639 had been due from 05 Government institutions for over a long period.
- (d) Revenue in arrears totaling Rs.39,189,970 as at end of the year under review had not been recovered.

2.2.2 **Lease Rent**

- (a) Lease rent in arrears amounting to Rs.580,350 due as at 31 December 2013 from 06 stalls of the new shopping complex of the Bus Stand owned by the Sabha had not been recovered.
- (b) It had been decided on 20 September 2013 to lease out the beef stall of the general market for the year 2014 at Rs.1,521,075 by increasing the lease by 50% than the year 2013. The offers obtained at 03 instances in this connection were not made available to audit, and the lease had not been given at this offer. According to a decision taken on 17 January 2014 all the offers had been rejected. Therefore, the Sabha had deprived of an income for the year 2014.
- (c) The public lavatory of the Bus Stand had been leased out at a monthly lease rent of Rs.16,485 for the year 2013 to the Welfare Society of the Pradeshieya Sabha. According to Paragraph 06 of the agreement the monthly water and electricity bills should be settled by the said Society. Nevertheless electricity charges amounting to Rs.24,137 had been paid by the Sabha and a separate water meter had not been fixed.
- (d) The Udububula Resort had been leased to various lessees on lease agreements from 01 November 2012 to 31 December 2014. Contrary to the provisions of the said agreements, the Sabha had paid electricity charges amounting to Rs.14,289 and lease rent in arrears amounting to Rs.12,444 also had not been recovered.
- (e) According to Condition 1.4 of the rent agreement of the stalls of the General Market, stall rent should be paid on or before the 10th day of the month. But, stall rent in arrears amounting to Rs.188,090 defaulted by stall owners and charges for delay had not been recovered.

2.2.3 **Court Fines and Stamp Fees**

Money receivable as at 31 December of the year under review from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
Court Fines	2,388,287
Stamp Fees	1,487,296

2.2.4 **Other Revenue**

A sum of Rs.12,000 receivable as at end of the year under review in respect of running a sea fish selling centre at the Kanulwela town had not been recovered and an agreement had not been entered into with the lessee.

2.3 **Surcharges**

Surcharges amounting to Rs.16,287 levied by me in terms of the provisions of Section 172(3) of the Pradeshiya Sabha Act No. 15 of 1987 against the persons responsible had been recoverable as at 31 December 2013.

3. **Operating Review**

3.1 **Operating Inefficiencies**

The following observations are made.

- (a) Action had not been taken to lease out 05 stalls at the Multipurpose Building owned by the Pradeshiya Sabha. Although loans obtained from the Local Loans and Development Fund for the construction of the building and the interest should be paid monthly, the property had not been leased out with a view to earn an income to the Sabha.
- (b) According to Section 2.1 of the letter dated 17 August 2010 of the Secretary to the Ministry of Power , the Local Authorities should act as a service supplier for operation and maintenance of street lamps on the basis of payment of charges for operation and maintenance of street lamps. Nevertheless, without acting accordingly, an expenditure of Rs.378,736 had been incurred from the Sabha funds for the above activities during the year under review and action had not been taken on systems of installation of street lamps, type of lamps to be fixed, quantity etc; as required by the above letter.
- (c) The Sabha had entered into an agreement with a certain private company on 13 June 2013 for a sum of Rs.4,411,143 for supply of equipment for the Multipurpose Building. A sum of Rs.3,087,800 of the above amount had been incurred out of the Asian Development Bank loan facilities, another sum of Rs.1,014,563 had been from the Local Loans and Development Fund and the balance sum of Rs.308,780 from the Sabha Funds. Quotations had been called on 10 March 2012 to purchase equipment and the Technical Evaluation Committee had decided to purchase equipment at the lowest prices and without implementing this decision; fresh quotations had been called and had decided to purchase from this institution. However, only the Chairman of the Evaluation Committee had signed the Technical Evaluation Committee Report.

- (d) Legal action had not been taken even up to 05 March 2014 in respect of 13 unauthorized stalls operate extraneous to the approved plans of the Sabha since year 2009.
- (e) An expenditure of Rs.235,925 had been incurred from the Sabha funds for tree felling and timber sawing for the construction of the multipurpose building. The permit obtained for felling jack trees, the report showing the volume and high of the trees, the quantity of timber sawn and the balance timber stocks were not made available for audit.

3.2 **Solid Waste Management**

An expenditure of Rs.1,484,376 and Rs.94,915 respectively had been incurred from the Provincial Specific Grants 2009 and the Sabha funds to implement the Solid Waste Management Project of the Local Authorities.

Although a sum of Rs.1,579,291 had been incurred, the compost production project had not been implemented. The disposal of waste had not been done in an environmental friendly manner. Although plans had been prepared and submitted for improvement of this project further; under the ‘Pilisaru’ Project of the Central Environmental Authority, these activities had not been implemented quickly.

4. **Accountability and Good Governance**

Budgetary Control

Significant variances were observed between the income and expenditure estimated through the budget prepared by the Sabha for the year under review and the actual income and expenditure of the year. Therefore, the budget had not been made use of as an effective tool of controlling income and expenditure.

5. **Systems and Controls**

Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration