

Bibile Pradeshiya Sabha
Monaragala District

1. **Financial Statements**

1.1 **Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 05 June 2015 while Financial Statements relating to the preceding year had been submitted on 14 July 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 22 July 2015.

1.2 **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 Bibile Pradeshiya Sabha as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 **Comments on Financial Statements**

1.3.1 **Accounting Deficiencies**

Following matters are observed.

- (a) While the Sabha had approved to obtain a loan of Rs. 6,200,000 during the year under review from the Local Loans and Development Fund for the Commercial Building which was being constructed, out of that a sum of Rs.5,549,570 has been accounted as a Capital grant Receivable.
- (b) Values of 02 buildings amounting to Rs. 1,200,000 belong to the Sabha and the value of the Vehicle Park Building amounting to Rs. 2,430,801 constructed in the Sabha Ground during the year under review had not been accounted.
- (c) Provision for Creditors had not been made for expenditure amounting to Rs.1,153,779 payable by the Sabha as at the end of the year under review.

1.3.2 **Non-reconciled Control Accounts**

While total of balances relevant to 22 items of accounts according to financial statements was Rs. 161,761,592, balance according to the accounting records and subsidiary registers had been Rs. 187,188,696.

1.3.3 **Accounts Payable**

The balance payable of the Local Government Pension Contributions Fund as at the end of the year under review was Rs. 1,144,694.

1.3.4 **Lack of Evidence for Audit**

Two Items of assets totalling Rs. 1,645,992 and three Items of liabilities totalling Rs. 58,837,660 could not be satisfactorily vouched in audit due to non-submission of required Information to Audit.

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

A person had been recruited to the post of Substitute Sanitary Laborer without prior written approval of the Commissioner of Local Government in terms of Section 19 (1) (i) of the Pradeshiya Sabha Act No. 15 of 1987 and salaries and allowances amounting to Rs. 130,080 had been paid during the year under review.

2. **Financial Review**

2.1 **Financial Results**

According to the Financial Statements presented, excess of recurrent expenditure over revenue for the year ended 31 December 2014 amounted to Rs. 43,192,288 as against the excess of revenue over recurrent expenditure amounted to Rs.5,959,401 according to financial statements as at 31 December of the preceding year. Accordingly, the net decrease in the financial result was Rs. 49,151,689.

2.2 Analytical Financial Review

While a decrease of Rs. 49,151,689 was observed when compared with the preceding year, an analysis with regard to that is shown below.

<u>Recurrent Revenue</u>	<u>2014</u>	<u>2013</u>	<u>Variance</u>	
	Rs.	Rs.	Rs.	
Rates and Taxes	5,268,501	10,271,950	5,003,449	
Rent Income	5,928,581	291,051	(5,637,530)	
License fees	618,605	167,762	(450,843)	
Fees for Services	439,561	912,305	472,744	
Fines and Warrant Charges	891,402	771,334	(120,068)	
Other Revenue	2,740,453	3,248,048	507,595	
Revenue Grants	17,350,964	20,063,826	2,712,862	2,488,209

 <u>Recurrent Expenditure</u>				
Salaries and Allowances	19,381,052	13,205,291	6,175,761	
Travelling Expenses	675,302	1,232,699	(557,397)	
Supplies and Equipment	2,452,901	2,398,982	53,919	
Capital Assets	1,315,090	2,243,687	(928,597)	
Repairs and Maintenance				
Transport and Communication Services	1,914,597	1,651,035	263,562	
Interest Payments Dividends and Bonus	1,387,031	53,234,463	(51,847,432)	
Grants, Contributions and Subsidies	51,482	4,327	47,155	
Pensions, Pension Benefits and Gratuities	101,211	4,948,080	(4,846,869)	(51,639,898)
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Decrease in the Financial Result				(49,151,689)
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2.3 **Revenue Administration**

2.3.1 **Arrears of Revenue**

Action had not been taken to recover Arrears of Revenue amounting to Rs. 46,513,360 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.

2.3.2 **Rates**

- (a) Necessary steps had not been taken to recover Arrears of Rates amounting to Rs.12,709,961 for the period from the year 2010 up to the preceding year.
- (b) Necessary steps had not been taken to recover a sum of Rs. 209,382 due from 06 Government Institutions as at the date of end of the year under review.

2.3.3 **Lease Rent**

- (a.) Revenue amounting to Rs. 6,566,400 had been lost to the Sabha in respect of the preceding year and the year under review, due to failure in leasing out 67 stalls for 3 years in the Bibile Public Market in terms of the Assessment Report No. MO/RP/363 dated 28 July 2014.
- (b.) Action had not been taken to assess the rent of 23 stalls belong to the Sabha in terms of provisions in the Circular No. 1980/46 dated 31 December 1980.
- (c.) Although quotations had been called for in 03 occasions having decided to lease out the Beef Stall in the Public Market for the year under review, any quotation had not been received. However, one applicant had made a written request on 10 February 2014 to get the beef stall for sum of Rs. 1,100,000. However, it had not been given on the basis of the decision taken by the Sabha not to lease out properties without calling for tenders. Due to that revenue of Rs. 1,100,000 had been lost to the Sabha for the year under review.

2.3.4 **Court Fines and Stamp Fees**

Court Fines and Stamp Fees amounting to Rs. 5,644,374 were outstanding from the Chief Secretary to the Provincial Council and other authorities as at 31 December of the year under review as shown below.

	Rs.
Court Fines	3,792,912
Stamp Fees	1,851,462

3. **Operating Review**

3.1 **Operating Inefficiencies**

- (a.) Although the Local Authorities should function as a supplier of services for operations and maintenance of street lamps on the basis of paying fees in terms of clause 2.1 of the letter dated 17 August 2010 of the Secretary to the Ministry of Power and Energy, a sum of Rs. 301,270 had been incurred out of the Sabha Fund without taking action accordingly. Particulars relating to method of fixing, type of lamps to be fixed and number of lamps etc., had not been recorded in terms of this letter.
- (b.) The Sabha had not commenced 13 Project Works approved under 03 Development Programmes amounting to Rs.12,950,000 during the year under review, due to various reasons.
- (c.) In spite of the fact that there were no vacancies in the Management Service at present according to approved cadre for the office, two Road Laborers had been assigned duties in the Posts of Management Assistants relevant to various subjects, without engaging them in the relevant functions.
- (d.) Although three employees recruited for the posts of Library Assistant, Sanitary Laborer and Driver and served on casual basis during the years 2012 and 2013 had been appointed to permanent service, those officers were not included in the approved cadre of the Sabha.

3.2 **Solid Waste Management**

An expenditure amounting Rs. 1,484,376 under Provincial Criteria Based Grants – 2009 and a sum of Rs. 94,915 out of the Sabha Fund had been incurred for implementation of the SolidWaste Management Project.

- (a) Compose Fertilizer Production Works had not been commenced under the Project.
- (b) Although a sum of Rs. 1,579,291 had been spent, the Project had not been implemented. While work relating to disposal of garbage is not taking place in a manner favorable to the environment, although proposals had been made for improvement of this Project under the Central Environment Authority Reform Project, those had not been implemented promptly.
- (c) Pits had been prepared for disposal of garbage having incurred an additional expenditure of Rs. 189,460 during the year under review at the Puwak Kele Location.

4. **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