

Siyambalanduwa 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 12 March 2018 while the Auditor General's Report relating to those financial statements has been sent to the Chairman on 20 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 Siyambalanduwa 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 audit.

- (a) Action had not been taken to assess and bring to account 06 blocks of land enjoyed by the Sabha.
- (b) Value of 06 buildings of the Sabha had not been brought to account.
- (c) Since the transmission tower revenue amounting to Rs.153,000 receivable as at 01 January of the year under review had been brought to account as Rs.228,000, revenue receivable and accumulated fund had been overstated by Rs.75,000.
- (d) Since fixed deposit interest of Rs.67,619 received during the year under review relating to the preceding year had been debited to the Accumulated Fund and credited the fixed deposit interest, surplus of the year had been overstated by that amount.
- (e) Fixed deposit interest amounting to Rs.71,576 receivable for the year under review had not been brought to account.
- (f) A sum of Rs.1,000,000 received for the Pradeshiya Sabha Strengthening Programme in the preceding year had been credited to the deposit account. As this amount had been debited to the Accumulated Fund and credited to the General Deposit Account during the year under review, the Accumulated Fund had been understated by Rs.2,000,000 while the Deposit Account had been overstated by Rs.2,000,000.

- (g) Expenditure amounting to Rs.120,000 payable as at 31 December of the year under review had not been brought to account.
- (h) In rectifying the receivable Beko Loder rental revenue of Rs.187,025 which had been overstated as at 01 January of the year under review, it had been debited to the Revenue Account had been debited and as such, surplus of the year had been understated by that amount.
- (i) Pradeshiya Sabha buildings and fittings valued at Rs.2,324,502 constructed during the year under review had not been capitalized.
- (j) Charges for hoardings amounting to Rs.327,400 receivable as at 31 December of the year under review had not been brought to account.

1.3.2 Non-reconciled Accounts

A difference of Rs.130,175 was observed between the Beko Loder debtor balance indicated in the financial statements prepared for the year under review and the Beko Loder debtor register.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

- (i) A sum of Rs.241,975 remained recoverable relating to hiring the Beko Loder of the Sabha during the years 2014 and 2015 had not been recovered.
- (ii) Transmission tower charges in arrears amounting to Rs.153,000 recoverable during the period from the year 2008 to 2016 had not been recovered even in the year under review.

1.3.4 Lack of Written Evidence for Audit

Since the necessary information had not been made available, 09 items of accounts totaling Rs.178,302,188 could not be satisfactorily verified in audit.

1.3.5 Non-compliance

(a) Not Presenting Information to Audit

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

Instances of non-compliance with laws, rules, regulations and management decisions are specified below.

<u>Reference to laws, rules, regulations and management decisions</u>	<u>Value</u> Rs.	<u>Non-compliance</u>
(b) Pradeshiya Sabha (Finance and Administration) Rules of 1988 Rules Nos. 143 and 145	-	General Deposit Register had not been balanced monthly and adjusted with the main ledger.
(b) Paragraph 3.1 of the Public Administration Circular No.30/2016 dated 29 December 2016.	-	Fuel consumption tests had not been carried out relating to 09 vehicles belonging to the Sabha.
(c) Circular No.1980/46 dated 31 December 1980 of the Commissioner of Local Government of Uva Province	-	Action had not been taken to assess the rent of the trade stalls owned by the Sabha.
(d) Section 04 of the Public Finance Circular No.02/2015 dated 10 July 2015.	-	Although action should be taken to dispose of the disused assets before 10 October 2015, action had not been taken accordingly in connection with 07 disused vehicles of the Sabha.
(e) Extraordinary Gazette No.392/9 dated 10 March 1986 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.	-	A planning committee had not been established to grant approval for the buildings constructed within the area of authority of Sabha.

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.7,577,611 as compared with the corresponding excess of revenue over recurrent expenditure of Rs.9,407,618 for the preceding year.

2.2 Revenue Administration

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

Details on the estimated revenue, billed revenue, collected revenue and revenue in arrears relating to the year under review and the preceding year are 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
(i) Rates and Taxes	Rs. 422,000	Rs. 467,888	Rs. 467,888	Rs. -	Rs. 2,000	Rs. 1,142,245	Rs. 1,142,245	Rs. -
(ii) Rents	15,332,710	10,000,435	10,000,435	5,332,275	17,239,450	11,708,357	11,708,357	5,531,093
(iii) Licence Fees	1,563,000	1,454,630	1,454,630	108,370	1,553,000	1,438,520	1,438,520	114,480
(iv) Other Revenue	46,247,112	44,331,460	44,331,460	1,915,651	50,343,872	44,015,792	44,015,792	6,328,079
Total	63,546,822	56,254,413	56,254,413	7,356,296	66,138,322	58,304,914	58,304,914	11,973,652

2.2.2 Performance in Collecting Revenue

Although the total billed revenue to Rs.56 million had been collected during the year under review, revenue in arrears stood at Rs.7.4 million by the end of the year under review.

2.2.3 Rates and Taxes

Proper attention had not been drawn on increasing revenue of the Sabha by taking necessary steps to recover the Rates upon identification of the developed arrears of the area of authority of Sabha.

2.2.4 Rents

Trade Stall Rents

Action had not been taken to recover the rental of Rs.128,069 remained receivable by the end of the year under review in respect of renting 84 trade stalls of the Sabha.

2.2.5 Licence Fees

Trade Licences

In terms of Section 152 of the Pradeshiya Sabha Act No.15 of 1987, notifications had been published for the recovery of annual tax from the telecommunication transmission towers established within the area of authority of Sabha. Nevertheless, sums totalling Rs.171,000 had not been recovered relating to the year under review and the preceding years.

2.2.6 Other Revenue

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- (a) Action had not been taken to recover a sum of Rs.274,425 remained receivable relating to hiring of the Beko Lodgers during the year under review.
 - (b) Although publicity had been given on the recovery of charges by imposing by-laws pertaining to exhibiting hoardings within the area of authority of the Sabha, action had not been taken to recover charges of Rs.327,400 for 114 hoardings during the year under review.

2.2.7 Court Fines and Stamp Fees

A sum of Rs.168,600 and Rs.2,265,919 had remained receivable from the Chief Secretary and other officers as court fines and stamp fees respectively as at 31 December 2017.

2.3 Surcharge

A sum of Rs.582,567 remained recoverable as at 31 December 2017 in respect of surcharges imposed by me according to the provisions of the Pradeshiya Sabha Act against the persons who should be held responsible.

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 Sabha Act, are as follows.

(a) By-laws

By-laws should have been made under Section 126 of the Pradeshiya Sabha Act to carry out 30 main activities. Nevertheless, By-laws had been made only for 23 activities by 31 December 2017.

(b) Action Plan

Even though the activities that should be carried out by the Sabha as per the By-laws imposed had been determined, an Annual Action Plan had not been prepared.

(c) **Solid Waste Management**

Although action had been taken to comply with the by-law of Uva Provincial Council published in the Gazette No.1816/43 of the Democratic Socialist Republic of Sri Lanka, dated 28 June 2013, expenditure incurred during the year under review on waste management had not been settled by imposing garbage tax in terms of Section 02 of Part 13 of the said by-law.

(d) **Sustainable Development Goals**

As the Sabha had not been aware of the 2030 Agenda for Sustainable Development Goals, the long-term plans to uplift the living standard and health of the people of 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 Management Inefficiencies

Failure to recover losses and damages

The sum of Rs.58,000 paid for the repair of the Beko Loder of the Sabha which had met with an accident had not been reimbursed from the insurance.

3.3 Human Resources Management

Employees loan totalling Rs.35,329 that remained receivable over a number of years from 06 employees who were not presently in the service had not been recovered even by the end of the year under review.

3.4 Assets Management

Measures had not been adopted to take over 34 cemeteries.

3.5 Uneconomic Transactions

Although a sum of Rs.1,164,604 had been spent for the construction of vehicle service centre during the year 2014, it had not been used for the relevant purpose even by the end of the year under review and therefore, it had become an uneconomic expenditure.

3.6 Procurement

3.6.1 Procurement Plan

The Pradeshiya Sabha had not prepared an Annual Procurement Plan for the year under review.

3.6.2 Tendering Assets

In publishing procurement notification by the Sabha, national competitive bids had been invited by including conditions to limit the suppliers.

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 Committee

Action had not been taken to adequately conduct the Audit and Management Committees of the Sabha relating to the year under review.

05. Systems and Controls

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

System

Deficiencies of the System

(a) Accounting

- (i) Lands and buildings had not been brought to account.
- (ii) Fixed assets purchased during the year under review had not been brought to account.
- (iii) Accrued expenditure had not been brought to account.
- (iv) Account balances had been erroneously stated.

(b) Assets/ Properties

- (i) Failure in entering the assets in the registers.
- (ii) Failure in taking action to take over the lands.