

**Bibila Pradeshys Sabha
Moneragala District**

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2018 had been presented to audit on 28 February 2019, the summary report of the Auditor General relating to those financial statements on 24 May 2019 and detailed management report on 28 May 2019 were sent to the Chairman of the Sabha.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the part, basis for qualified opinion in my report the financial statements give a true and fair view of the financial position of the Bibila Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the qualified opinion

(a)	Accounting Deficiencies -----	Recommendation -----	Comments of the Accounting Officer -----
(i)	Investments Interest Revenue amounting to Rs.4,354,363 for the year under review had been overstated in the accounts.	Correct value should be accounted	While interest revenue had been understated in the accounts due to an error, adjustments will be made in 2019.
(ii)	Investment Interest Revenue Receivable at the end of the year had been understated in a sum of Rs. 107,876 in the accounts.	Correct value should be accounted	Number of days for maturity had been understated and due to that, interest revenue had been decreased. Will be corrected in 2019.
(iii)	Furniture and office equipment valued at Rs. 100,950 purchased during the year under review had not been capitalized	Value of assets should be	Could not be capitalized due to an oversight. Will be corrected in 2019.
(iv)	Provision had not been made in the financial statements in respect of the expenditure for the year under	Correct value should be accounted	Provision has not been made due to an oversight. Will be corrected in 2019.

review amounting to Rs. 29,043, incurred during the year 2019

- | | | | |
|-------|--|--|---|
| (v) | Capital expenditure amounting to Rs. 48,675 incurred during the year under review had been accounted as recurrent expenditure | Accounts should be prepared correctly | Accounting capital expenditure as recurrent expenditure will be corrected. |
| (vi) | Provision for creditors had been made as at 31 December of the year under review for a value of Rs. 310,000 proposed to provide material aids to Badullagamman Community Water Project not performed during the year. | Accounts should be prepared correctly. | Provision for creditors was made as the Sabha resolved to grant material aid on 23 October 2018 and approval of the Minister was received on 07 January 2019. |
| (vii) | Although the development work of the Bibila, Mallahewa, Thambalaketiya Public Well valued at Rs.105,448 for which provision had been made under Provincial Specific Development Grants Project had been completed during the year, provision for Debtors and Creditors had not been made in the accounts for that. | Accounts should be prepared correctly. | Provisions for Debtors and Creditors were not due to oversight. Will be corrected in 2019. |

(b) **Lack of Evidence for Audit**

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Non- rendition of age analysis relevant to 06 items of accounts valued at Rs. 128,467,558	Evidence to confirm the balance of accounts should be furnished.	Age analysis is being prepared

1.4 Non-compliance

Non-compliance with Laws, Rules and Regulations.

Reference to Laws, Rules and Regulations	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabha Act No. 15 of 1987			
(i) Section 139	Periodical reports had not been called to enable the assessment of a particular house, building, land or cottage liable to impose rates.	Periodical reports should be called to enable to make assessments.	Action will be taken to call periodical reports.
(ii) Section 159	Arrears of revenue recoverable amounting to Rs. 1,092,843 as at the end of the year under review had not been recovered.	Arrears of revenue should be recovered.	Action will be taken to recover arrears of revenue during 2019.
(iii) Sections 158,162 and 163	Arrears of rates recoverable amounting to Rs. 5,160,699 as at the end of the year under review had not been recovered.	Arrears of rates should be recovered.	Action will be taken to recover arrears of revenue during 2019.
(b) Extra Ordinary Gazette No. 1597/8 dated 17 April 2009.	Constructions relevant to 87 building plans approved during the years 2014 and 2015 had not been inspected or certificates of conformity had not been issued.	Constructions should be physically inspected and action should be taken in terms of provisions in the gazette.	Awareness were made through letters to obtain certificates of conformity.

2. 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 2018 amounted to Rs. 32,267,729 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 32,367,704 .

2.2 Revenue Administration

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

Estimated Revenue, Billed Revenue, Revenue Collected and Arrears of Revenue at 31 December for the year under review and the preceding year as furnished are shown below.

Source of Revenue	<u>2018</u>				<u>2017</u>			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December	Estimated Revenue	Revenue Collected	Revenue Collected	Total Arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	-							
	-							
(i) Rates and Taxes	5,924,975	6,412,936	4,192,378	2,220,558	5,592,301	6,073,692	3,758,308	2,315,384
(ii) Rent	12,142,338	11,609,839	9,262,937	2,346,902	6,853,200	9,863,549	3,503,561	6,359,988
(iii) License Fees	250,000	350,220	350,220	-	150,000	150,000	144,050	5,950
(iv) Other Revenue	205,000	1,181,148	1,181,148	-	8,642,999	8,642,999	15,943,210	-
Total	18,522,313	19,554,143	14,986,683	4,567,460	21,238,500	24,730,240	23,349,129	8,681,322

2.2.2 Performance in Revenue Collection

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
While out of total revenue billed amounting to Rs.19,554,143 for the year under review, a sum of Rs. 4,567,460 had not been recovered as at the end of the year, it was 23 percent of the total amount billed.	Arrears of revenue should be recovered soon.	Reply not furnished.

2.2.3 Rates and Taxes

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) (i) While Sabha had identified developed areas for recovering taxes during the year 1990, the Sabha had not paid attention to identify developed areas from time to time for recovering Rates.	Developed areas should be identified from time to time and rates should be increased. identified.	The Sabha has resolved to expand the area for recovery of Rates and referred to the Minister in charge of the subject.
(ii) While out of Rates Revenue billed amounting to Rs. 3,181,513 billed during the year under review, a sum of Rs. 1,551,256 had not been recovered as at 31 December, it was 49 percent of the total billed value.	Action should be taken to recover arrears of Rates.	Following course of action has been taken to recover arrears of Rates. Preparation of age analysis. i. Preparation of age analysis. ii. Appointing a committee for recovery of amounts in arrears. iii. Preparation of an action plan for recovery of arrears. iv. Deploying officers in the field for collecting taxes. v. Giving priority for recovery to persons liable for more than Rs. 50,000. vi. Issuing letters of demand and seizing properties.

<p>iii. While out of Rates Revenue at the beginning of the year under review amounting to Rs. 4,404,137 a sum of Rs. 3,609,444 had not been recovered within the year. Amount not recovered was 82 percent of the arrears at the beginning of the year.</p>	<p>Action should be taken to recover arrears of Rates</p>	<p>Following course of action has been taken to recover arrears of Rates.</p> <ol style="list-style-type: none"> i. Preparation of age analysis. ii. Appointing a committee for recovery of amounts in arrears. iii. Preparation of an action plan for recovery of arrears. iv. Deploying officers in the field for collecting taxes. v. Giving priority for recovery to persons liable for more than Rs. 50,000. vi. Issuing letters of demand and seizing properties.
---	---	---

(b) Recovery of Business Tax

<p>A tax amounting to Rs. 51,000 due for the year under review from 06 businesses functioning in the area of authority of the Sabha had not been recovered.</p>	<p>Outstanding taxes should be recovered.</p>	<p>Reply not furnished.</p>
---	---	-----------------------------

2.2.4 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----

(a) Arrears of Stall Rent

<p>Rent amounting to Rs. 3,137,194 due as at 31 December of the year under review from 103 stalls belong to the Sabha had not been recovered.</p>	<p>Arrears rent should be recovered.</p>	<p>Arrears as at 30 April 2019 amounts to Rs. .1,742,994.</p>
---	--	---

(b) Arrears of Property Property Taxes

<p>Lease money amounting to Rs. .1,092,843 due as at 31 December of the year under review from 8 properties belong to the Sabha had not been recovered.</p>	<p>Arrears taxes should be recovered.</p>	<p>Arrears as at 30 April 2019 amounts to Rs. 241,871.</p>
---	---	--

2.2.5 Water Charges

Audi Observation

Recommendation

Comments of the Accounting

Officer

Arrears of water charges amounting to Rs. 915,806 remained unrecovered for more than 1 year had not been recovered even as at 31 December of the year under review.

Arrears of water charges should be recovered.

Arrears as at 30 April 2019 amount to Rs. 358,367.

2.2.6 Court Fines and Stamp Fees

Audi Observation

Recommendation

Comments of the Accounting

Officer

Arrears of court fines amounting to Rs. 1,341,277 and arrears of stamp fees amounting to Rs. 3,291,590 remained unrecovered had not been recovered even as at 31 December of the year under review.

Arrears of court fines and stamp fees should be recovered

Arrears of court fines was Rs. 545,831 while arrears of stamp fees was Rs. 1,650,741 as at 30 April 2019.

3. Operating Review

Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

(a) By-laws

Audit Observation

Recommendation

Comments of the Accounting Officer

Although by-laws should be imposed to perform 30 main tasks under Section 126 of the Pradeshiya Sabha Act, by-laws had not been imposed for 06 tasks even as at 31 December of the year under review.

By-laws should be imposed for tasks for which by-laws have not been imposed.

Action will be taken to impose by-laws for which by-laws have not been imposed up to now.

(b) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
Although the Sabha was aware of the “Sustainable development Agenda – 2030” of the United Nations, indexes for measuring sustainable development objectives and targets applicable to the Sabha had not been identified.	indexes for measuring sustainable development objectives and targets applicable to the Sabha had not been identified.	Action will be taken to identify sustainable development objectives and goals clearly and to identify indexes to measure those in due course.

3.2 Management Inefficiencie

Non-reimbursement of Money

Audit Observation	Recommendation	Comments of the Accounting Officer
A sum of Rs. 50,000 had been spent out of Sabha Fund during the year under review for the purchase of necessary equipment for Kotagama Public Library on the basis of reimbursement from the Department of Local Government. However, that amount had not been reimbursed even as at been 31 December of the year under review.	Action should be taken to get reimbursed this amount.	Letters will be sent to get reimbursed the the sum of Rs. 50,000.

(b) Environment Protection Permits

Relevant action had not been taken to grant Environment Protection Permits having taken relevant works with regard to 36 businesses carrying on, in the area of authority of the Sabha, liable to obtain Environment Protection Permits.	These businesses should be inspected, and Environment Protection Permits should be given having recovered the specified charges.	While parties liable to obtain Environment Protection Permits have been informed to obtain the permits, legal action will be taken against those who do not obtain the permits.
--	--	---

(c) **Enforcement of Taxes for Hotels, Restaurants and Lodging Houses registered in the Sri Lanka Tourists Board.**

Action had not been taken to recover revenue in terms of Sections 147(i) and 149 in Pradeshiya Sabha Act No. 15 of 1987, from hotels or lodging houses registered in the Sri Lanka Tourists Board or approved by that Board.

Specific charges should be recovered from the relevant entities.

Action has been taken to obtain particulars relating to the relevant institutions from the Tourist Board to recover 1% tax. The amounts will be recovered after receiving those particulars.

3.3 **Human Resources Management**

Audit Observation

Recommendation

Comments of the Accounting Officer

Cadre Vacancies

According to the approved cadre, 11 vacancies relevant to 07 posts in the approved cadre of the Sabha had not been filled as at 31 December of the year under review.

Vacancies in the cadre should be filled.

Vacancies will be filled after receiving approval of the Commissioner of Local Government.

3.4 **Assets Management**

Audit Observation

Recommendation

Comments of the Accounting Officer

While 30 blocks of land in extent of 21 acres 37.15 perches belong to the Sabha had not been properly assessed, Legal ownership of 07 blocks of land in extent of 08 acres 01 rude 31.11 perches had not been vested in favor of the Sabha.

Legal ownership of lands belong to the Sabha should be vested in favor of the Sabha.

Steps will be taken to assess the properties and vest the ownership in due course.

3.5 Vehicles Utilization

Audit Observation

Recommendation

Comments of the Accounting Officer

Fuel consumption 05 vehicles belong to the Sabha had not been tested in terms of paragraph 3.1 in the Circular No. 30/2016 dated 29 December 2016 of the Secretary to the Ministry of Public Administration and Management.

Fuel consumption should be tested as per circular instructions.

Fuel consumption of all vehicles belong to the Sabha will be tested in the year. 2019.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

Recommendation

Comments of the Accounting Officer

According to the budget prepared for the year under review, when estimated revenue and expenditure are compared with the actual revenue and expenditure for the year, variations from 10 percent to 100 percent in 08 revenue items and variations from 11 percent to 75 percent in 05 expenditure items were observed.

Accurate budget should be prepared and targets therein should be achieved.

Not replied.

4.2 Internal Audit

Audit Observation

Recommendation

Comments of the Accounting Officer

An officer had not been appointed for internal audit work.

An officer should be appointed for internal audit work.

An internal audit officer has been appointed for the year 2019.

4.3 Audit and Management Committees

Audit Observation	Recommendation	Comments of the Accounting Officer
----- An audit and Management Committee had not been established for the year under review as per Circular No. DMA/2009 (01) dated 09 June 2009 of the Management Audit Department, relating to internal audit guidelines.	----- An audit and Management Committee should be established.	----- An audit and Management Committee has been established at present.