

**Baddegama Pradeshiya Sabha  
Galle District**

---

**1. Financial Statements**

---

**1.1 Presentation of Financial Statements**

---

Financial Statements for the year 2017 had been presented for audit on 24 February 2018 and the report of the Auditor General on those financial statements had been issued to the Chairman on 31 August 2018.

**1.2 Qualified Opinion**

---

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Baddegama 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 deficiencies were observed.

- (a) Creditors' provision had not been made in respect of contributions payable to the Local Government Pension Fund amounted to Rs.2,491,756 at the end of the year under review.
- (b) Without taking action to settle tax payment of Rs.329,698 and house rent deposit of Rs.86,632 payable to Inland Revenue Commissioner, accounts had been settled by crediting to Cumulated Fund.
- (c) Lumpsum money of Rs.125,000 recoverable from 02 new stalls in front of old Sunday fair had not been brought to account.
- (d) Value of Crew Cab purchased in 1992 at Rs.312,500 had been deleted from accounts after 2013.

### **1.3.2 Unreconciled Accounts**

---

Variances were observed between balance applicable to 12 items of account totalling Rs.Rs.105,881,010 shown in Financial Statements and balance shown in supportive documents leading to a total variance of Rs.61,970,921.

### **1.3.3 Accounts Receivable and Payable**

---

#### **(a) Accounts Receivable**

---

Action had not been taken even during the year under review to settle 09 accounts balance receivable totalling Rs.14,991,055 being brought forward in financial statements over a long period and a balance of Rs.380,198 applicable to two industries being brought forward since 2015.

#### **(b) Accounts Payable**

---

Action had not been taken even during the year under review to settle 02 creditors balance of Rs.409,673 being brought forward within industrial creditors balance as at 31 December 2017.

### **1.3.4 Lack of Written Evidence required for Audit**

---

#### **Non-Presentation of Information for Audit**

---

It was not possible to verify satisfactorily 07 account captions totalling Rs.151,011,448 due to non-presentation of requisite information.

### **1.3.5 Non-Compliance with Laws, Rules, Regulations and Management Decisions**

---

Instances relating to non-compliance with laws, rules, regulations and management decisions are given below;

**Reference to laws, rules,  
regulations & management  
decisions**

**Non Compliance**

-----  
**(a) Pradeshiya Sabha  
(Financial and Administration)  
Rules - 1988**  
-----

- |       |          |   |
|-------|----------|---|
| (i)   | Rule 33  | Warrant Lists for forfeiting property and the list on individuals evading payment of rates and taxes at the end of each quarter had not been prepared by Rates and Tax Clerk.   |
| (ii)  | Rule 145 | Neither prepared a detailed statement on repayable deposits nor made adjustments with ledger balance.   |
| (iii) | Rule 164 | Account documents of the Sabha should be daily examined by the Secretary or an officer authorized by him and initialed the same to certify that the entries are correct and this requirement had not been adhered to. |
| (iv)  | Rule 217 | No register had been maintained as per P.S.46 form.   |
| (v)   | Rule 218 | Board of Survey on all lands & buildings owned by the Sabha had not been conducted.   |

**(b) Financial Regulations  
of the Democratic  
Socialist Republic of  
Sri Lanka**  
-----

- |     |                       |   |
|-----|-----------------------|---|
| (i) | FR 570 &<br>571(1)(2) | Action had not been taken to bring deposit balances totalling Rs.4,105,420 applicable |
|-----|-----------------------|---|

to 04 years and exceeded 02 years as at 31 December 2017, to revenue.

(ii) FR 702(3) Copies of agreements signed with regard to contracts had not been submitted to Auditor General.

(iii) FR 1645 & 1646 Daily running charts and monthly performance summaries in respect of 04 vehicle of the Sabha which were in running condition had not been submitted to audit.

(c) Treasury Secretary's Circular No.IAI/2002/02 dated 28 Nov. 2002 No Fixed Assets Register had been maintained for Computers, accessories and software owned by the Sabha.

## 2. Financial Review

-----

### 2.1 Financial Results

-----

According to financial statements presented for auditing the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2017 amounted to Rs.21,358,068 as compared with the excess of the recurrent expenditure over revenue for the preceding year amounted to Rs.18,235,414.

### 2.2 Financial Control

-----

Average balance of Rs.15,655,152 was show in two current accounts of the Sabha and it had been deprived of an earning of an interest by its inability to take action to invest xdcass money as per Sections 171 and 184 of the Pradshiya Sabha Act No.15 of 1987.

### 2.3 Revenue Administration

-----

#### 2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and Revenue in Arrears

-----

Information relating to estimated revenue, billed revenue, collected revenue and revenue in arrears presented in respect of the year under review and the preceding year are as follows:

Sources of Revenue	<u>2017</u>				<u>2016</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears as at 31 Decem.	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears as at 31 Decem
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates & Taxes	2,755,436	3,039,858	1,101,939	1,937,268	2,765,676	3,053,829	857,360	2,196,469
Lease Rent	1,179,100	1,975,610	1,862,635	112,975	1,028,100	1,111,500	1,048,425	63,075
Licence fee	1,204,000	1,279,600	1,273,760	6,000	1,025,750	1,132,475	1,132,475	-
	<u>5,138,536</u>	<u>6,295,068</u>	<u>4,238,334</u>	<u>2,056,243</u>	<u>4,819,526</u>	<u>5,297,804</u>	<u>3,038,260</u>	<u>2,259,544</u>

### 2.3.2 Performance in Revenue Collection

Total Estimated Revenue of the year under review was Rs.5,138,536 while the billed revenue of the year under review was Rs. 6,295,068. Although the total amount recoverable with initial balance in arrears of Rs 2,259,544 of the year amounted to Rs.8,554,612, collected revenue during the year was Rs. 4,238,334 . Accordingly the total revenue in arrears at the end of the year stood at Rs.2,056,243.

### 2.3.3 Rates and Taxes

The opening balance in arrears was Rs.2,196,469 while the total recoverable amount with billed revenue of Rs.3,039,858 amounted to Rs.5,236,327. The total recovered being Rs.1,101,939 and the year end balance in arrears remained at Rs.1,937,268. Accordingly it was observed that recovery of rates & taxes has shown poor progress.

### 2.3.4 Lease Rent

Billed revenue was higher by Rs.796,570 than the estimated value. Opening balance in arrears amounted to Rs.63,075 while the total recoverable with billed revenue of Rs.1,975,600 amounted to Rs.2,038,685. Accordingly the total recovery had been Rs.1,862,635 and year end balance in arrears amounted to Rs.112,975.

### **2.3.5 Licence Fees**

-----  
Billed amount of the Sabha had been higher by Rs.75,000 than the estimated value. With collection amounting to Rs.1,279,000 the recovery percentage had been 99 percent.

### **2.3.6 Court Fines and Stamp Fees**

-----  
Court fines and stamp fees recoverable as at 31 December 2017 from the Chief Secretary and other authorities of the Provincial Council were Rs.4,027,067 and Rs.40,583,533 respectively.

### **2.4 Surcharges**

-----  
A sum of Rs.2,452,544 had been recoverable as at 31 December 2017 in respect of 03 Surcharges imposed during preceding years by me against responsible individuals in terms of provisions of the Pradeshiya Sabha Act.

## **3. Operating Review**

### **3.1 Performance**

-----  
Matters revealed in the fulfillment of activities which were to be performed by the Sabha with regard to streamlining and maintaining of public health, common utility services and public roads as well as satisfaction and welfare of the people under section 3 of the Pradelshiya Sabha Act are as follows:

#### **(a) Action Plan**

-----  
No annual action plan has been prepared in respect of activities to be performed by the Sabha in terms of by-laws enacted.

#### **(b) Delays in Performing Activities**

##### **(i) Delaying of Projects**

-----  
The sum of Rs.343,975 allocated under Southern Province Development Plan in 2017 had not been utilized for the purpose even by March 2018.

(ii) A total sum of Rs.345,000 received to the Sabha on 17 September 2017 from four Provincial Members, Southern Province under development plan 2017 had not been utilized for the relevant purposes.

**(c) Solid Waste Management**  
-----

Although the Sabha had established a waste management centre at a cost of Rs.1,243,062 in 2015 with the assistance of “Pilisar” Project, environmental licence had not been obtained for it.

In 2017 a revenue of Rs.89,220 had been earned through the sale of compost while the waste management expenditure stood at Rs.5,480,090.

Although the Pradeshiya Sabha is bound to make all arrangements and precautionary measures to see that waste are to be disposed of in term of Sections 93, 94 & 95 of the Pradeshiya Sabha Act, it had not adhered to those requirements.

**(d) Sustainable Development Targets**  
-----

The Sabha had not prepared long-term plans for enhancing living standard and health of the people in the area of authority of the Sabha through global indicators for sustainable development goals and targets in the Agenda 2030 for sustainable development.

**(e) Non Achievement of Anticipated Output**  
-----

Although a sum of Rs.1,850,000 had been spent on the construction of Crematorium at Wanduramba, anticipated output had not been achieved ,details of which are as follows.

<b>Activity</b>	<b>Estimated Sum</b>	<b>Value of the Undertaking Completed</b>	<b>Observations</b>
-----	-----	-----	
	Rs.	Rs.	
Construction of Crematorium Wanduramba	4,500,000	1,850,000	Other than Purchasing of the land-Lenwala watta Temple Potion-owned by land Reform Commission on 15.11.2017 no any other activity done.

### **3.2 Management Inefficiencies**

#### **Maintenance of Street Lamps**

The Pradeshiya Sabha had not taken action in terms of the Circular No.PE/01/01 dated 17 August 2010 of the Ministry of Power and Energy. Although the maintenance cost of street lamps during the year had been Rs.718,355, action had not been taken to obtain reimbursements.

### **3.3 Human Resources Management**

(a) (i) As per Cadre Plan the number of excess employees was 11 while the number vacancies were 02.

(ii) A sum of Rs.3,239,253 had been spent from the Sabha fund during the year under review for payment of salaries and allowances to 11 substitute employees recruited in contrary to the Public Administration Circular No.25/2014 while Rs.148,500 had been paid during 2017 to a female employee recruited on contract basis.

(b) Procurement and payment related duties had been entrusted to a Karyala Karya Sahayaka

### **3.4 Operating Inefficiencies**

The following observations were made.

(a) 03 stalls out of 05 owned by Thelikada Majuwana sub office of the Baddegama Pradeshiya Sabha had been in delapidated condition, 02 stalls had been rented out at monthly rental of Rs.125 each. Due to non repairing of these stalls owned by the Sabha, it was not possible to earn the anticipated income.

(b) Lease agreement in respect of stall No.02 opposite the old sunday fair owned by the Baddegama Pradeshiya Sabha had been expired on 31 December 2006 and it is observed that the same has been unauthorisely occupied by an outside individual. Stall rent of Rs.18,750 lumpsum money and lumpsum money of Rs..125,000 were in arrears on this stall as at 31 December 2017.



- (c) Fish selling hut opposite the new Sunday fair owned by the Baddegama Pradeshiya Sabha had been maintained by the Fisheries Corporation since 2003 without entering into an agreement.

### **3.5 Assets Management**

-----

#### **3.5.1 Idle and Under Utilized Assets**

-----

The following observations were made.

- (i) 11 tyres worth Rs.383,000 purchased on 27 November 2014 under Pradeshiya Sabha Augmentation Programme had been remained idle in the store even by 02 March 2018.
- (ii) Although 06 tyres – 650 x 16 worth Rs.45,520 had been refilled on 13 March 2017, they remained idle in the store.
- (iii) One crew cab, 03 tractors trailers exposed to the nature remained idle at the premises of waste management centre and J.C.B. machine had also been remaining idle since 2016.

### **4. Accountability and Good Governance**

-----

#### **4.1 Budgetary Control**

-----

A considerable variance as indicated below was observed between budgetary and actual income/expenditure during the year under review. Therefore it was observed that the annual budget had not been adopted as effective financial management controlling mechanism.

- (a) A total saving of Rs.16,987,861 in 08 expenditure captions was shown, percentage of which ranged between 01 percent to 70 percent.
- (b) Expenditure of Rs.154,496 had been made in excess of approved limit in respect of one expenditure caption percentage of which was equivalent 561 percent.
- (c) Total of adverse variance of 03 revenue captions amounted to Rs.3,348,474 value of which ranged between 06 percent to 471 percent.
- (d) Of the sum of Rs.2,500,500 allocated as Capital Expenditure from the Budget of the year under review, Rs.1,060,377 remained unspent. The total provision of Rs.8,150,000 allocated for 04 items of expenditure – i.e. improvement of health

facilities, implementation of priority development programmes, procurement of machinery and equipment and provision of welfare services had not been fully utilized which proved that Budget had not been used as successful method of financial control.

#### 4.2 Internal Auditing

-----

No sufficient internal auditing had been implemented as per FR 133 and FR 134 of the Republic of Sri Lanka and the Circular No. දපපා/යහ/01/නා.ව.ලේ dated 24 February 2014 of the Local Government Commissioner (Southern Province) and those reports had not been submitted to the Auditor General. However Chief Management Assistant has been appointed by the Sabha as Internal Auditor and other duties of the Sabha had been entrusted to her which made impossible for this officer to perform internal auditing in a proper manner.

#### 4.3 Implementation of Audit and Management Committees

-----

Action had not been taken even at the end of the year under review to establish Audit and Management Committees in terms of the provisions of the Audit Management Committee Circular No.DMA/2009 (1) dated 09 June 2009.

#### 5. Systems and Controls

-----

Shortcomings observed at auditing were submitted through audit queries to the attention of the Sabha and special attention shall be paid to the below described fields of systems and controls.

<u>System</u>	<u>Defect</u>
(a) Accounting	Action had not been taken to settle balances of assets and liabilities as well as receivable and payable account balances in a proper manner.
(b) Assets & Properties	(i) Fixed Assets Register and a separate Register for computers, accessories and software had not been maintained. (ii) No annual board of survey had been conducted on lands and buildings.

- (c) Staff Management
  - (i) Action had not been taken to fill staff vacancies and to regularize the excess staff.
  - (ii) No action had been taken to recover recoverable balance,
  - (iii) No assigning duties and assigning of duties not applicable to the post were observed.
  
- (d) Vehicle Control
  - (i) Fuel burning of vehicles had not been tested.
  - (ii) Action had not been taken either to repair vehicles being kept idle or to dispose them of.
  - (iii) Daily running charts and monthly performance summaries had not been submitted for audit.
  
- (e) Collection of Revenue
  - (i) Revenue in arrears had not been recovered.
  - (ii) Excess money in current account had not been invested.
  - (iii) No action had been taken to repair delapidated boutique rooms and to earn revenue by leasing them out.