

Badulla Pradeshiya Sabha
Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2017 had been submitted for audit on 04 April 2018 and the Auditor General's report had been sent to the Chairman on 30 August 2018.

1.2 Qualified Audit Opinion

In my opinion except for the effect on the matters described in Paragraph 1.3 of this report, Financial Statements give a true and fair view of the Financial Position of the Badulla 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 Statement

1.3.1 Accounting Deficiencies

The following were observed

- a) Work debtors for the year under review amounted to Rs.28,525 was shown as Rs.28,324,373 in the Financial Statement, as such Current Assets overstated by Rs.28,295,848.
- b) Work Creditors for the year under review amounting to Rs.452,070 was shown as work debtors, as such the Work Debtors overstated, and Work Creditors understated by that amount.
- c) Provisions for 5 work creditors amounting to Rs.2,055,244 was not made in the Financial Statements, as such the value of creditors had been understated by that amount.
- d) Interest income for Fixed Deposits amounting to Rs.328,236 was not accounted, as such the revenue for the year had been understated by that amount.
- e) Security Camera System valued at Rs.317,200 fixed in the year under review was not accounted, as such the value of Revenue Contribution to Capital Outlay and Fixed Assets had been understated by that amount.

1.3.2 Accounts Receivable and Payable

a) Accounts Receivable

The Account Receivable balance as at 31 December of the year under review amounting to Rs.32,261,484 includes Arrears of Rates due for 3 years amounting to Rs.533,452, Arrears of Capital Donations amounting to Rs.31,262,608, Shop Rental due for 10 years amounting to Rs.53,124, Water Bills due for 5 years amounting to Rs.240,024, arrears of Garbage Tax due for 8 years amounting to Rs.168,450, and Arrears of Acreage Tax amounting to Rs.3,826.

b) Accounts Payable

The Account Payable balance as at 31 December of the year under review includes Rs. 9,633,003 arrears of Work Creditors due for 2 years amounting to Rs. 9,142,702 and Expenditure Creditors due for over 01-year amounting to Rs.490,301.

1.3.3 Lack of Evidence for Audit

An amount of Rs.5,388,614 in a bank account belonging to the Council had not been confirmed.

1.3.4 Non-compliance

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

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions were shown below.

	Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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		Rs.	
a.	i. Section 149 of the Pradeshiya Sabha Act No.15 of 1987		Action had not been taken to recover the license fees of 1% from a hotel with 20 rooms situated within area limits of the Sabha.
	ii. Sections 153(1) (a),(b),(c) and Gazette No.1997 dated 09 December 2016		Although By Laws were enacted in 2017 to charge a tax of 2 per cent of the value from un developed lands, action had not been taken to identify and recover tax from such lands.

- b. Section 218 of 1988 Pradeshiya Sabha (Financial and Administration) Rules Verification of Lands and Buildings belonging to the Council had not been done.
- c. Section 6 of the General By Law No.520/7 published in the Extraordinary Gazette of the Democratic Socialist Republic of Sri Lanka dated 23 August 1988 32,100 Action had not been taken to recover Parking fees in the year 2017

2. Financial Review

2.1 Financial Results

According to the Financial Statement presented, the surplus of revenue over the recurrent expenditure amounted to Rs.8,988,562 for the year ended 31 December 2017 and corresponding surplus of revenue over recurrent expenditure for the preceding year amounted to Rs.4,343,789.

2.2 Revenue Administration

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

The details of the Estimated Income, Billed Income, Collected Income and Arrears of Income for the year under review and the preceding year are shown below.

Source of Income	2017				2016			
	Estimated Income	Billed Income	Collected Income	Arrears In come at 31 December	Estimated Income	Billed Income	Collected Income	Arrears in come at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	2,231,760	2,231,760	3,182,785	889,536	2,111,760	2,111,760	2,014,048	1,465,227
(ii) Rent	546,000	546,000	747,000	53,123	528,750	528,750	389,758	260,602
(iii) License Fees	284,000	284,000	525,260	-	270,000	270,000	272,900	-
(iv) Other Income	7,502,500	7,502,500	9,662,818	15,923,400	6,003,000	6,003,000	12,146,617	-
Total	10,564,260	10,564,260	14,117,863	16,866,059	8,913,510	8,913,510	14,823,322	1,725,829

2.2.2 Performance of Revenue Collection

Billed income as at 31 December 2017 amounted to Rs.10.5 million and the Collected Income was Rs.14.1 million. However, an income of Rs.16.9 million had to be collected as at end of the year and in comparison with the preceding year collection of arrears of income had been decreased by 894 per cent.

2.2.3 Court Fines and Stamp Fees

The total of Court Fines and Stamp Fees to be recovered from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017 amounted to Rs.10,502,000.

3. Operational Review

3.1 Performance

It was revealed after the analyzing of the execution of activities of the Pradeshiya Sabha in accordance with Section 3 of the Pradeshiya Sabha Act, such as Regulation of Health of the Public, Common Utility Services and Public Road Facilities and maintenance of people's prosperity, welfare and development are given below.

a. Action Plan

An Action Plan for the year 2017 had not been prepared by the Council.

b. Solid Waste Management

The Council had disposed garbage to a part of the land owned by Vewassa Estate. In this regard the following were observed.

- i. Although the Council had been disposing garbage to the land owned by Vewassa Estate since 30 years, action had not been taken to acquire the land to the Council up to 31 December 2017.
- ii. Action had not been taken to obtain an Environmental Protection License according to the Section 22(g) of the By Laws regarding the Solid Waste Management and National Environmental Act No.47 of 1980.
- iii. There was a possibility of the garbage mixing with rain water and flowing into waterways from the place where garbage dumping place.
- iv. A Waste Management System and a plan to separate and recycle degradable waste had not been prepared by the Council.
- v. Degradable, Non-Degradable and Electronic waste were collecting together without been categorized.
- vi. The following observations were revealed at the physical observation made at the place where garbage disposed on 31 August 2017.

- Two pits had been dug out and the garbage was burned inside in them without any categorization.
 - An intense odor and a large population of flies and mosquitoes were observed in the vicinity of the dump as result of not disposed was done systematically.
- vii. A proposal for Compost Production Project under Solid Waste Management Plan were forwarded to the Uva Local Government Commissioner by the Council Secretary on 07 October 2016. The estimated cost of the project was Rs.7,550,000 and it was proposed an amount of Rs.3,150,000 to complete the building walls, pillars and plastering at the end of the third quarter of the year 2017, But any of those activities had not been done. The Council had failed to achieve expected goals of the project.

c. Sustainable Development Goals

Due to the Council not being aware of 2030 Agenda of Sustainable Development, Goals the global view of such purposes for a long time plans to enhance the living standards and health of the people living in the authority areas of the Council had not been initiated up to 2018.

3.2 Human Resource Management

There were 06 vacancies and 16 excess carder observed in the approved cadre as at 31 December of the year under review.

3.3 Procurement

3.3.1 Procurement Plan

A procurement plan had not been prepared by the Council for the year under review.

4. Accountability and Good Governance

4.1 Budget Control

It was observed that there were considerable variations in the budgeted Revenue and Expenditure for the year under review with the actual revenue and Expenditure and that a difference ranging from 52 per cent to 65 per cent had been observed in 03 income items and a difference ranging from 22 per cent to 100 per cent had been observed in 06 expenditure items and so indicating the Budget had not been used as an Effective instrument of Management control.

4.2 Internal Audit

An Internal Audit had not been conducted for the year 2017.

4.3 Implementation of Audit and Management Committees

Although the Audit and Management Committees should be held to develop the financial prudence and financial management of the institution, for the Audit and Management committee had not been held in the year 2017.

5. Systems and Control

Weaknesses observed during the audit had been informed to the Council time to time and special attention is needed in the following areas of Control.

System	Weaknesses
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A. Internal Control	Not registration of duties among the officers
B. Income Control	i. No progress in income collection. ii. Not proper systems for the Collection of Court Fines and Stamp Fees. iii. No proper approval and supervision over renting machines to external parties.