

Badalkumbura 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 27 March 2018 and the Report of the Auditor General relating to those Financial Statements had 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 Badalkumbura 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 during the course of audit.

- (a) The value of 02 libraries brought to account as Rs.9,000,000 in the financial statements of the preceding year had been brought to account as Rs.6,000,000 in the financial statements of the year under review without preparing a proper estimate.
- (b) Two stalls with a completed work value of Rs.1,839,088 constructed on Hospital Road by the Sabha had been brought to account as Rs.4,000,000. As such, property, plant and equipment had been overstated by Rs.2,160,912 in the financial statements.
- (c) A sum of Rs.280,000 incurred in the year under review for constructing the water tank of the Karametithenna Water Project, had not been capitalized.
- (d) A sum of Rs.300,000 incurred in the year under review to fix the side wicket of the Badalkumbura Pradeshiya Sabha Playground, had not been capitalized.
- (e) Instead of accounting the value of 08 completed works performed during the year under the Programme on Strengthening Pradeshiya Sabhas, the contract value had been brought to account. As such, the contribution to Property, Plant and Equipment and the Capital Account from Revenue had been overstated by Rs.240,256.
- (f) Action had not been taken to account the value of the Taffe Tractor belonging to the Sabha.

- (g) Expenses payable amounting to Rs.118,996 payable as at 31 December of the year under review had not been brought to account.
- (h) Hoardings fees amounting to Rs.39,550 receivable as at 31 December of the year under review had not been brought to account.
- (i) The allowance of the Secretary of the Sabha amounting to Rs.40,000 receivable as at 31 December of the year under review from the Provincial Council had not been brought to account.
- (j) A sum of Rs.132,635 receivable for the year 2014 for weekly fair stalls had been eliminated from the accounts receivable of the preceding year and adjusted to the Accumulated Fund. As such, the balance receivable and the Accumulated Fund had been understated by that amount.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

Action had not been taken to recover arrears of lease rents totalling Rs.379,155 recoverable as at 31 December of the year under review for leasing out property from the year 2011 to the year 2014.

(b) Accounts Payable

Action had not been taken even in the year under review to settle balances of accounts payable amounting to Rs.98,420 brought forward in accounts for a long period.

1.3.3 Lack of Evidence for Audit

Three items of accounts totalling Rs.300,771,824 could not be satisfactorily verified in audit due to failure to furnish necessary information.

1.3.4 Non-compliances

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

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are as follows.

Reference to Laws, Rules, Regulations and Management Decisions	Value Rs.	Non-compliance
(a) Section 140 of the Pradeshiya Sabha Act, No.15 of 1987	-	Rates and taxes had been collected for the year under review on the assessment of rates of the year 2006 without making a new assessment of rates.
(b) Pradeshiya Sabha Rule No.204 (Finance and Administration) of 1988	-	Action had not been taken relating to the shortage of 52 identified Items of Goods at the Board of Survey conducted in the year 2015.
(c) Paragraph 4 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	33,333	Action had not been taken in respect of the staff loan balance.

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.381,662 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs.2,653,093.

2.2 Revenue Administration

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

Details on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year are as follows.

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
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	785,000	912,508	867,200	455,308	573,400	777,678	735,521	42,157
(ii) Rent	2,907,000	4,125,784	3,530,771	595,013	3,530,000	3,578,474	3,554,691	23,783
(iii) Licence Fees	648,700	660,070	660,070	-	460,200	657,718	657,718	-
(iv) Other Revenue	3,504,000	3,234,886	1,994,591	1,240,295	3,208,000	4,928,161	3,737,891	1,190,270
Total	7,844,700	8,933,248	7,052,632	2,290,616	7,771,600	9,942,031	8,685,821	1,256,210

2.2.2 Performance of Collection of Revenue

The revenue billed for the year under review amounted to Rs.8.9 million while a sum of Rs.7 million thereof had been collected during the year. However, arrears of Rs.2.2 million had existed by the end of the year.

2.2.3 Rates and Taxes

- (a) Arrears of rates and taxes relating to preceding years amounted to Rs.513,310 and out of those arrears of tax, a sum of Rs.312,450 had been collected by 31 December of the year under review. Accordingly, the recovery of arrears of tax stood at a percentage as low as 60 per cent.
- (b) Action had not been taken to recover rates and taxes amounting to Rs.87,624 receivable as at 31 December of the year under review from 03 Government institutions.
- (c) Arrears of water charges amounting to Rs.48,985 recoverable relating to the year under review had not been recovered even by 31 December of the year under review.

2.2.4 Rent

Action had not been taken to recover arrears of lease rent amounting to Rs.568,117 recoverable as at 31 December of the year under review from 06 properties leased out annually.

2.2.5 Licence Fees

In terms of Pradeshiya Sabha Act, No.15 of 1987, it had been published to enforce By Laws and to charge fees for display of hoardings. Nevertheless, fees of Rs.39,550 had not been charged.

2.2.6 Other Revenue

Action had not been taken to recover a sum of Rs.153,660 recoverable for hiring out the roller machine by the Sabha.

2.2.7 Court Fines and Stamp Fees

Court fines and stamp fees receivable as at 31 December 2017 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.134,404 and Rs.1,233,714 respectively.

03. Operating Review

3.1 Performance

In terms of Section 3 of the Pradeshiya Sabha Act, the matters revealed in respect of the performance of functions of the Sabha such as 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 within the area.

(a) By-Laws

In terms of Section 126 of the Pradeshiya Sabha Act, By-Laws should have been enacted in performing 30 main purposes. However, By-Laws had been enacted only for 23 purposes even by 31 December 2017.

(b) Action Plan

According to the By-Laws enacted, the functions that should have been performed by the Sabha had been decided. Nevertheless, an annual Action Plan had not been prepared.

(c) Sustainable Development Goals

The Sabha was not aware of the 2030 Agenda on Sustainable Development Goals and as such, long term plans for the improvement of the living standards and health of the people in the area of authority of the Sabha through global indices for the said goals, had not been prepared even by 22 May 2018.

3.2 Management Inefficiencies

- (a) Revenue from rent amounting to Rs.196,800 relating to the preceding year and the year under review from 13 stalls of the Badalkumbura Bus Station had been deprived of due to non-recovery of new assessment rates.
- (b) The Pradeshiya Sabha had been deprived of a revenue of Rs.38,173 due to non-recovery of a monthly rent of Rs.3,850 from Stall No.01 at Bogahapelessa.
- (c) Two lease properties which should be annually tendered had been leased out by decisions of the Management Committee.
- (d) Action had not been taken even by the end of the year under review to lease out 10 stalls of the new shopping complex of which works had been completed and handed over to the Sabha on 01 November 2016.

3.3 Operating Inefficiencies

- (a) Certificates of Conformity had not been issued in terms of Circular No.08/1/38 of 20 March 1985 of the Director General of the Urban Development Authority for 35 building plans approved by the Sabha from the year 2013 to the year 2016.
- (b) Action had not been taken to recover relevant fees and to grant covering approval or to institute legal action in respect of 42 unauthorized constructions within the area of authority of the Sabha in terms of the Gazette Extraordinary No. 392/9 dated 10 March 1986 of the Democratic Socialist Republic of Sri Lanka and Circular No. 08/1/38 of 20 March 1985 of the Director General of the Urban Development Authority.

3.4 Assets Management

3.4.1 Idle/Underutilized Assets

- (a) Five properties belonging to the Sabha had been left to remain idle without taking action to give on lease.
- (b) Even though 03 vehicles belonging to the Sabha had been handed over to the Kahagolla Provincial Mechanical Office on 03 December 2013 for auction, necessary further action had not been taken thereon.

3.5 Procurement

3.5.1 Procurement Plan

A Procurement Plan for the year under review had not been prepared by the Pradeshiya Sabha.

3.5.2 Contract Administration

The agreements entered into with the contractors by the Sabha relating to construction works, were not complied with the proper format and the conditions on the recovery of liquidation damages had not been included in the agreements.

04. Good Governance and Accountability

4.1 Budgetary Control

Significant variances were observed between the budgeted and the actual income and expenditure of the Sabha relating to the year under review, thus indicating that the budget had not been made use of as an effective instrument of control.

4.2 **Audit and Management Committee**

The Sabha had not taken action to hold adequate audit and management committee meetings for the year under review.

05. **Systems and Controls**

Deficiencies observed during the course of Audit were brought to the notice of the Sabha from time to time and special attention is needed in the following areas of control.

System	Deficiency
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(a) Fixed Assets	(i) Non-maintenance of Registers (ii) Improper valuation
(b) Revenue Administration	(i) Non-recovery of arrears of Revenue (ii) Non-recovery of assessment stall rents (iii) Non-recovery of licence fees (iv) Failure in leasing out leasable property