

Baddegama Pradeshiya Sabha
Galle District

1. Financial Statements

1.1. Presentation of Financial Statements

The Financial Statement for the year 2018 had been submitted for audit on 13 February 2019 and the summary report of the Auditor General on 30 May 2019 and the Detailed Management Report on 14 June 2019 had been sent to the Chairman of the Council.

1.2. Qualified Opinion

In my opinion except for the effect on the matters described in the Section of the basis for qualified audit opinion of this report, Financial Statements give a true and fair view of the financial position of the Baddegama 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 comments on qualified opinion qualified opinion

(a) Accounting deficiencies

Audit Observations	Recommendations	Comments of the accounting officer
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(i) Credit provisions had not been made for the Contributions for the Local Government Pension fund amounting to Rs.2,585,613 even up to 31 December of the year under review.	The total payable amount should be accounted.	Action will be taken to correct after obtaining the necessary information.
(ii) 64 Fixed Assets valuing Rs.13,790,077 were not shown in the Financial Statements of the year under review.	Action should be taken to account properly.	Action will be taken to correct the accounts after obtaining information after conducting an survey.

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| (iii) | Action had not been taken to capitalize 03 Equipment Purchases in 04 instances for Construction and Development totaling to Rs.332,957 within the year under review. | Action should be taken to account properly. | Action will be taken to correct the accounts in the preparation of accounts 2019. |
| (iv) | Although the Advance amount of Rs.260,820 taken from two officers transferred to the Council as loan balances had been settled through Stamp fees income, yet the council had not adjusted the accounts properly. | Action should be taken to account properly. | Action will be taken to correct the accounts in the preparation of accounts 2019. |

(b) Unreconciled Control accounts

Audit Observations

Recommendations

Comments of the
accounting officer

There was a difference of Rs.68,651,789 in 03 accounting items between the balance of the subsidiary register and the balances of the Financial Statements.

Action should be taken to correct the accounts after comparing the difference between the balances.

Action will be taken to correct the difference in the future.

(c) Lack of Documentary Evidence for Audit

Audit Observations

Recommendations

Comments of the
accounting officer

Due to lack of necessary information of 07 accounting items totaling to Rs.154,781,302 could not be satisfactorily vouched in audit.

Action should be taken to submit necessary evidence to confirm the balances of the Financial Statements.

Action will be taken to correct in the future.

1.4 Non-Compliance

 Non-compliance with laws, rules, regulations and management decisions

References to Laws, Rules, Regulations and	Non-compliance	Recommendation	Comments of the accounting officer
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Management Decisions

(a)	1988 Pradeshiya Sabha (Financial Administration) Rules and			
	(i) Rule 193	Action had not been taken to prepare a Statement explaining the Excess and Leakage after comparing the Income and Expenditure items with the Budget	Action should be taken according to the Regulations	Action will be taken to correct as according to the Rule in the future.
	(ii) Rules 217 and 218	Action had not been taken to conduct survey on all the Land and Buildings owned by the council and furthermore, a Register according to the No.P.S.46 format had not been maintained.	Action should be taken according to the Rule.	Action will be taken to correct as according to the Rule in the future.
(b)	Financial Regulation 1645 and 1646 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Action had not been taken to submit the daily Running charts and monthly summaries to Audit for 06 vehicles.	Action should be taken according to the Financial Regulations	Action will be taken according to the Financial regulations in the future.
(c)	Employees Trust Fund Act No.46 of 1980	Surcharges amounting to Rs.29,107 had been paid as the Monthly contribution was not paid properly.	Action should be taken according to the Act.	Action will be taken to collect from the responsible officers.

2. Financial Review

2.1. Financial Results

According to the Financial Statements presented, the surplus of revenue over recurrent expenditure of the Council for the year ended 31 December 2018 amounted to Rs.21,803,318 as compared to surplus of revenue over recurrent expenditure of the preceding year amounted to Rs.21,358,068.

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 is stated below.

Source of Income	Estimated Income	2017			2016			Arrears as at 31 December
		Billed Income	Collected Income	Arrears as at 31 December	Estimated Income	Billed Income	Collected Income	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i. Assessment and Tax	2,733,661	3,320,053	1,355,819	1,964,234	2,755,436	3,039,858	1,101,939	1,937,919
ii. Rent	1,179,100	3,008,795	2,921,820	86,975	1,179,100	1,975,610	1,862,635	112,975
iii. Permit Charges	1,175,000	1,369,680	1,364,930	4,750	1,204,000	1,279,600	1,273,760	6,000
iv. Miscellaneous income	5,087,761	7,698,528	5,642,569	2,055,959	5,138,536	6,295,068	4,238,334	2,056,894

2.2.2. Performance of Revenue Collection

Audit Observations

The total Estimated Income of the year under review amounted to Rs.5,087,761 while the billed income amounted Rs.7,698,528 and as such the collected income from the billed income amounted to Rs.5,642,569 which is 73 per cent.

Recommendations

Action should be taken to prepare estimations correctly and collect the arrears of income.

Comments of the accounting officer

Action will be taken to collect the arrears of income in future.

2.2.3. Assessment and Tax

Audit Observations

Although the assessment tax income amounted to a high amount such as Rs.1,960,244 as at 31 December of the year under review, yet action had not been taken terminated assets.

Recommendations

Action should be taken to collect the arrears of income

Comments of the accounting officer

Action will be taken to collect the arrears of income in future.

2.2.4. Rent

Audit Observations

The annual rent assessment amounted to Rs.1,179,100 and the bills amounted to Rs.3,008,795 and as such the bills exceeded the estimated amount by Rs.1,829,695. Action had not been taken to identify the estimated income correctly.

Recommendations

Action had not been taken to correctly prepare the estimates and bills.

Comments of the accounting officer

Action will be taken to collect the arrears of income in the future.

2.2.5. Court Fines and Stamp Fees

Audit Observations

The Court Fines and Stamp Duties receivable from the Chief Secretary of the Council and other authorities as at 31 of the year under review amounted to Rs.2,274,093 and Rs.76,055,373 respectively.

Recommendations

Action should be taken to collect the arrears of income

Comments of the accounting officer

Action had been sent the letter to the Secretary via to collect the arrears of income.

3. Operational Review

3.1. Performance

Facts observed relating to the execution of activities by the Pradeshiya Sabha in accordance with Section 3 of the Pradeshiya Sabha Act such as regulation of health of the general public, common utility services and public road facilities and maintenance of people's welfare, facilities and development are given below.

(a) Solid Waste management

	Audit Observations	Recommendations	Comments of the accounting officer
(i)	Although the use of the Makurugodawatta land where the Garbage management center is built is given to the Council, action had not been taken to take over the ownership.	Action should be taken to take over the ownership of the land	Action will be taken to take over the ownership of the land and conduct proper garbage management.
(ii)	Action had not been taken by the Council to obtain an environment license for the workplace used for the production of organic compost and disposal of garbage.	Action should be taken to obtain an environmental protection license.	Action will be taken to obtain an environmental license in future

(b) Sustainable Development Goals

	Audit Observations	Recommendations	Comments of the accounting officer
	Long term plans had not been made according to 2030 Agenda of the Purposes of Sustainable Development for the global view of such purposes to enhance the living standards and health of the people living in the Council Territory.	Action should be taken to enhance the living standards from long term planning.	A plan will be prepared to enhance the living standards of the people living in the authority area.

3.2. Management Inefficiencies

Audit Observations	Recommendations	Comments of the accounting officer

Maintenance of Street Light.		

(a) Since the Council had not entered into an agreement with the Electricity Board for the year under review, as such the reimbursement to be taken for the year for the Street light could not be obtained from the Electricity Board.	Action should be taken to enter into an agreement with the Electricity board and reimburse the agreed amounts.	Action will be taken to reimburse the Street light costs from the Electricity board in the year 2019
(b) A Register had not been maintained regarding the Street light Maintained by the Council, and approval from the Lankan Electricity board had not been taken when installing new Street lamps.	Action should be taken to maintain a Street lamp register.	Action will be taken to maintain a street lamp register and action will be taken to obtain permission when installing new Street lamps.

3.3 Human Resource Management

Audit Observations	Recommendations	Comments of the accounting officer

(a) 15 excess and 14 vacancies of staff were observed as per the Cadre Plan	Action should be taken to properly recruit cadre for vacancies and regularized the excess cadre.	Permission for the vacancies has been sent.
(ii) An amount of Rs.3,114,331 had been paid as Salary and Allowances for 13 employees recruited on the basis of casual, supplementary and on a contract basis who were not included as per No.25/2014 Circular of Management Service.	Action should be taken in according to the circular.	Action will be taken to regularize according to F R 71

3.4 Management Inefficiencies.

(a) Maintenance of Shop rooms and Collection of Rent

	Audit Observations	Recommendations	Comments of the accounting officer
(i)	Shop rooms in front of the Wanduramba bus stop numbered 03, 04, and 08 were left closed in the year under review.	Action should be taken to repair the shop rooms and rent Shop room according to a contract.	Action will be taken to properly collect income in the year 2019
(ii)	Action had not been taken to rent the Wanduramba Mapalagama road shop rooms numbered 2, 3, 4, 5, 6, and 8 since 24 April 2013.	Action should be taken to repair the shop rooms and Rent them according to a contract.	Action will be taken to properly collect income in the year 2019

(b) Idigaskatiya Slum houses

	Audit Observations	Recommendations	Comments of the accounting officer
(i)	An arrears of rent to be collected from 07 houses rented based on amounted to Rs.99,486 and as of 25 February 2019 an amount of Rs.67,486 was yet to be paid.	Action should be taken to obtain the arrears of rent.	Action will be taken to collect the arrears.
(ii)	Although the information was taken on 2017 to hand over houses whose monthly rent was no more than one hundred Rupees based on nominal value, yet action had not been taken to hand over the houses	Action should be taken to hand over the houses.	Action had been taken to hand over the information requested by the Commissioner of Local Government
(iii)	Since there were problems with the ownership of the slum house No.04, the council had not collected the house rent and as such the monthly rent had not been collected since May of the year under review.	Action should be taken to collect the House Rent.	Action will be taken to solve the problems that have arisen and collect the arrears and the rent.

3.5 Asset management

3.5.1. Assets not taken over.

Audit Observations	Recommendations	Comments of the accounting officer
Action had not been taken to take over the ownership of a Motor Grader valuing Rs.24,928,666 given to the council by the Department of Local Government in 2015.	Action should be taken to take over the ownership.	Action will be taken in the future.

3.5.2. Idle and Underutilized Assets

Audit Observations	Recommendations	Comments of the accounting officer
(a) 05 tires bought for Rs.75,710 in 2014 under the program of Strengthening Pradeshiya Sabha were idle in the stores even up to the auditing day of 25 February 2019.	Action should be taken to purchase items after recognizing the needs.	No answer has been given.
(b) Although 22 Miscellaneous types of Tires were refilled in 2014 bearing an amount of Rs.181,935, yet was left unused even up to 25 February 2019.	Action should be taken to use.	No answer has been given.
(c) Although a report had been given by the Mechanical Engineer of the Department of Local Government as at 02 June 2016 regarding the repair of a Tractor Trailer, yet action had not been taken to repair the said Trailer.	Action should be taken to repair the trailer.	Action will be taken to repair.
(d) The Street lamp tractor had been left idle in the council premises form the year 2016 after use for repairing street lamps but Rs.4,800 had been expend for it.	Repair should be done immediately.	The repair will be done immediately.

4. Accountability and Good Governance

4.1 Budgetary Control

	Audit Observations	Recommendations	Comments of the accounting officer
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(a)	An amount of Rs.3,324,465 had been spent over the limit of the budget for one item of expenditure and the said value was 21 per cent.	Action should be taken to produce true estimations.	Action will be taken accordingly in the next year.
(ii)	The total provision of one item was left since it was not used for the targeted work.	Action should be taken to produce true estimations.	Action will be taken accordingly in the next year.
(iii)	A total of Rs.4,097,825 was left from 04 expenditure items and the difference amounted to 32 per cent to 71 per cent.	Action should be taken to produce true estimations.	Action will be taken to reach the targeted expenditure.

4.2. Internal Audit

	Audit Observations	Recommendations	Comments of the accounting officer
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(a)	Internal Audit had not been conducted as according to No. දපපා/යන/01/නා.ව.ලේ dated 24 February 2014 of circular of the Commissioner of Provision and Local Government (Southern Province) and Financial Regulations 133 and 134 of the Financial Regulations of the Republic of Sri Lanka,	Action should be taken to create a plan according to the Financial Regulations and the circular and an internal audit should be conducted.	Action will be taken according to the Financial Regulations and the Circular.

4.3. Audit and Management Committee

Audit Observations

Recommendations

Comments of the
accounting officer

Action had not been taken to conduct
Audit and Management Committee
Meetings in the year under review as
according to No. DMA/2009(i) dated 09
June 2009 of the Circular of Management
Audit.

Action should be
taken according to
the circular.

Action will be
taken according to
the circulars.