

Badalkumbura 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 2018, the summary report of the Auditor General relating to those financial statements on 24 May 2019 and detailed management report on 30 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 Badalkumbura 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

	Accounting Deficiencies	Recommendation	Comments of the Accounting Officer
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(i)	Court Fines Revenue amounting to Rs.364,000 receivable for the preceding year had not been accounted.	Accounts should be prepared appropriately.	Accounts will be adjusted during the year 2019.
(ii)	Court Fines Revenue receivable for the year under review from the Badulla Magistrate Court had not been identified and accounted.	Accounts should be prepared appropriately.	Accounts will be adjusted during the year 2019.
(iii)	Recurrent expenditure amounting to Rs. 76,975 relevant to the year under review had not been accounted.	Accounts should be prepared appropriately.	Accounts will be adjusted during the year 2019.

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| (iv) | Publicity Advertisement Boards Charges Revenue in arrears as at the beginning the year under review amounting to Rs. 39,550 and Publicity Advertisement Boards Charges Revenue relevant to the year under review had not been identified and accounted. | Accounts should be prepared appropriately. | Accounts will be adjusted during the year 2019. |
| (v) | Although the arrears of salaries relevant to the period from the year 2012 to 2017 had been paid during the year under review, that value had not been identified as receivable and payable at the beginning of the year and shown in the accounts. | Accounts should be prepared appropriately. | Accounts will be adjusted during the year 2019. |
| (vi) | A sum of Rs. 16,771 paid for agreed services and ensuing year had been shown as expenditure for the year under review without being shown as pre-payments. | Accounts should be prepared appropriately. | Accounts will be adjusted during the year 2019. |

1.4 Non-compliances

----- 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			
Section 19(xii)	Although 13 trade stalls belong to the Pradeshiya Sabha had been leased out for a period of 30 years, prior approval of the minister in charge of the subject had not been obtained for that.	Action should be taken in terms of the Act.	Had been leased out on the basis of an approved letter of the Commissioner of Local Government.
Section 140	Rates had been recovered during year under review based on the assessment made during the year	Action should be taken in terms of the Act.	Although an assessment was made during the year 2015, final report had not been received. Therefore, a

2006, without assessing the properties timely for the recovery of rates.

final assessment is being made again during these days.

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. 1,741,559 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 381,662.

2.2 Revenue Administration

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

Information relating to Estimated Revenue, Billed Revenue, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year, as furnished are shown below.

Source of Revenue	2018				2017			
	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Billed Rs.	Revenue Billed Rs.	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Billed Rs.	Revenue Billed Rs.
(i) Rates and Taxes	790,000	948,957	846,484	102,473	785,000	912,508	870,963	41,545
(ii) Rent	13,099,200	3,690,051	2,899,037	791,014	2,907,000	4,125,784	3,540,030	585,754
(iii) License Fees	666,200	621,280	621,280	-	648,700	660,070	660,070	-
(iv) Other Revenue	2,784,000	4,446,579	3,279,446	1,167,133	3,504,000	3,234,886	1,952,187	1,282,699
Total	17,339,400	9,706,867	7,646,247	2,060,620	7,844,700	8,933,248	7,023,250	1,909,998

2.2.3 Rates and Taxes

Audit Observation

Recommendation

Comments of the Accounting Officer

While information relating to the year identified last as suitable for

Developed area should be identified from time

Action is being taken to identify the developed areas.

recovery of Rates by the Sabha were not furnished to audit, Sabha had not paid attention to identify the developed areas from time to time for the recovery of rates.

to time and rates should be recovered having followed the relevant procedures.

Out of arrears of rates revenue amounting to Rs. 221,630 at the beginning of the year under review, a sum of Rs. 181,592 or 82 percent had not been recovered during the year.

Arrears of rates should be recovered.

Special programs will be implemented for the recovery of rates in arrears.

Rates amounting to Rs. 102,628 as at 31 December of the year under review had not been recovered from 05 Government Institutions.

Arrears of rates should be recovered.

Although notices were given to pay rates, payments were not made. Action will be taken in due course to take legal steps.

2.2.4 Rent

Audit Observation

Recommendation

Comments of the Accounting Officer

A sum of Rs. 383,155 outstanding for leasing out 14 properties belong to the Sabha relevant to the period from the year 2011 to 2016 had not been recovered even as at 31 December of the year under review.

Arrears of rates should be recovered.

While incorrect arrears balances had been brought forward in maintaining the registers, action will be taken to rectify those and recover the arrears in due course.

Sum of Rs. 284,543 due on account of lease rent and demurrage for leasing out the Badalkumbura Weekly Fair belongs to the Sabha for the year 2018 had not been recovered. Although sub leasing of stalls cannot be made according to clause 8 of the agreement for leasing out stalls,

Arrears of lease money should be recovered.

While a sum of Rs. 172,835 has been recovered by now, action will be taken to recover the balance.

Stall holders will be made aware of the matter and informed that legal action will be taken in due course.

5 lessees who obtained the lease of stalls in Badalkumbura Bus Stand had sub leased 5 stalls and derived income ranging from Rs. 7,500 to Rs. 27,500 per month.

Although the monthly lease rent of 13 stalls in two storied Trading Complex in Bus-Stand had been given through the assessment report dated 20 April 2016, new assessed rent of 10 stalls out of those from May 2016 to December 2018 had not been recovered and there by a sum of Rs.348,800 had been lost.

Action should be taken to recover lease rent according to the new assessed rent.

This assessment is for 5 years only and action will be taken to recover rent in the next assessment so as to avoid a loss. An income has been derived exceeding the loss as an extra bid amount had been recovered when awarding the tenders

2.2.5 Other Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) A sum of Rs. 173,120 for the preceding year and a sum of Rs.16,860 for the year under review had not been recovered on account of renting out the road roller belongs to the Sabha.	Arrears money should be recovered soon.	A sum of Rs. 110,000 has been recovered by now and action will be taken to recover the balance money.
(b) A Water Charges balance of Rs. 89,966 relevant to the year under review was outstanding to be recovered.	Arrears money should be recovered.	A sum of Rs.. 67,121 has been recovered and action will be taken to recover the balance money.

2.2.6 Court Fines and Stamp Fees

Audit Observation

Recommendation

Provincial

Court Fines amounting to Rs. 583,462 and Stamp Fees amounting to Rs. 1,077,166 were outstanding as at 31 December of the year under review. Similarly, Court Fines due from Badulla Magistrate Court for the year under review and Stamp Fees due from Moneragala Land Registry relevant to the period from October to December 2018 had not been identified.

Arrears of Court Fines and Stamp Fees should be recovered.

While schedules have been prepared and sent to the Provincial Commissioner of Revenue, arrears money will be recovered in due course.

3. Operating Review

3.1 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 have been imposed to perform 30 main matters under Section 126 of the Pradeshiya Sabha Act, by-laws had not been imposed for 07 matters out of those even as at 31 December of the year under review.

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

By-laws will be framed and imposed for other 7 matters in due course.

(b) Action Plan

Audit Observation

Recommendation

**Comments of the
Accounting Officer**

An Action Plan had not been prepared for the year under review.

An Action Plan should be prepared immediately for the year 2019.

An Action Plan will be prepared for the year 2019.

(c) Solid Wastes Management

Audit Observation

Recommendation

**Comments of the
Accounting Officer**

Although wastes removal charges had been published by the Sabha, action had not been taken to recover wastes removal charges and cover wastes management expenditure.

Wastes taxes should be recovered as per gazette notification.

Action will be taken to recover wastes taxes in due course.

Necessary course of action had not been taken to train officers in wastes management.

Necessary course of action should be taken for training.

Officers will be deployed for training.

Although action had been taken to sort out wastes collected as palatable and non-palatable, action had not been taken to produce carbonic fertilizer using the palatable wastes and had been dropped into two pits improperly.

Wastes should be disposed according to a proper methodology.

Preliminary works of the solid wastes management centre is in progress. Action will be taken to produce carbonic fertilizer in due course.

(d) Sustainable Development Goals

Audit Observation

Recommendation

**Comments of the
Accounting Officer**

Although the Sabha was aware of the “Sustainable Development Agenda – 2030” of

Indexes for measuring sustainable development

Indexes will be identified and action will be taken

the United Nations, indexes for measuring sustainable developments objectives and targets applicable to the Sabha had not been identified.

objectives and targets in due courses. should be identified and progress relating to reaching annual targets should be measured accordingly.

3.2 Management Inefficiencies amounts

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) While 03 vehicles belong to the Sabha had been sent to Kahagolla Provincial Machinery Office for auction on 03 December 2013, follow up action had not been taken in that connection..	Action should be taken to recover the amounts due to be recovered.	Action will be taken to recover the outstanding amounts.
(b) A survey of Permanent Publicity Advertisements Boards exhibited in the area of authority of the Sabha had not been carried out.	A survey should be carried for the year 2019.	Action is being taken to carry out a survey and recover fees these days.
(c) Although the milometer of a cab vehicle belongs to the Sabha had been defunct since January 2019, it had not been repaired.	Milometer should be repaired..	Milometer will be fixed soon in due course.
(d) Legal ownership of 03 vehicles used by the Sabha had not been transferred in favor of the Sabha.	Action should be taken to get the legal ownership transferred in favor of the Sabha.	Officer in charge of the subject was instructed to take action soon to get the ownership transferred.

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| (e) | <p>(i) Although a building had been constructed having spent a sum of Rs. 29,255,282 and had been handed over to the Sabha on 27 June 2017 for Hingurukaduwa Sub Office of the Sabha under Puraneguma Project, Sub Office had not been established therein while household furniture and office equipment valued at Rs. 1,479,300 provided through the project too remained idle.</p> <p>Six employees had been attached for maintenance work of the building and a sum of Rs. 859,592 had been paid as salaries and allowances from March to December of the year under review. As the office is not used for the relevant purpose this expenditure too had been a fruitless expenditure.</p> <p>Although the Commissioner of Local Government had given instructions with regard to maintaining the Sub Office in constructive manner, relevant activities had not been carried out as per those instructions.</p> | <p>Action should be taken to use the building and furniture.</p> <p>Employees should be deployed for other duties.</p> <p>Activities should be carried out as per Instructions of the Commissioner of Local Government.</p> | <p>Action has been taken to use a part of household furniture of the Sub Office to meet the requirements of the office without making new purchases.</p> <p>Surplus employees will be attached for other duties in places where necessary, after commencement of the Sub Office.</p> <p>While a weekly fair and a newspaper reading place have been established by now, library will be opened in due course.</p> |
| (f) | <p>While registration certificate of a tractor belongs to the Sabha had been misplaced, any course of action had not been taken in that connection.</p> | <p>While necessary course of action should be taken with regard to the officers responsible for misplacement, registration certificated should be obtained soon.</p> | <p>In this connection any document is not available in the Sabha at present. Officer in charge of the subject was instructed to take future action.</p> |
| (g) | <p>A survey with regard to establishments liable to pay trade license fees and business tax had not been carried out for the year under review.</p> | <p>A survey should be carried out for the year 2019.</p> | <p>A survey is being carried out at present.</p> |

3.3 Human Resources Management

Audit Observation

Recommendation

Comments of the Accounting Officer

There were surplus of 15 employees relevant to 03 posts and 6 vacancies relevant to 6 posts of the approved cadre of the Sabha as at 31 December of the year under review.

Action should be taken to get approval for the surplus posts and to fill the vacancies in the cadre.

Approval has been granted for 8 posts out of 15 posts through circular No. 25/2014, while necessary course of action had not been taken to approve and recruit the other 7 posts.

3.4 Assets Management

3.4.1 Non-confirmation of Security of Assets

Audit Observation

Recommendation

Comments of the Accounting Officer

Wastes Recycling Program.

Although 15 acres had been vested in the Sabha on 14 December 2010 and a sum of Rs. 120,000 had been spent for surveying the land during the year 2010, for Wastes Recycling Program, relevant program had not been implemented. Similarly, it was revealed that 26 unauthorized families are residing in this land.

Action should be taken to commence the Wastes Recycling Program and to settle the land dispute.

It was not possible to commence the project due to animated situation of the unauthorized occupants. The projects to be commenced now in the land where wastes are dumped. Action is being taken to remove the unauthorized occupants.

3.4.2 Assets not vested.

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) While action had not been taken vest the legal ownership of 98 blocks of land belong to the Sabha in extent of 60 acres 01 ruda 34 perches, survey work of 90 blocks of land had not been carried out.

Lands belong to the Sabha should be surveyed and legal ownership should be vested.

Documents required for vesting have been referred to the Divisional Secretary. Action will be taken to carry out survey work and vest.

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| (b) | Two stalls constructed in Bogahapelassa area incurring expenditure amounting to Rs. 1,617,483 had been constructed in the road reservation. Due to that, it had not been possible to vest that land. | This should be discussed with the relevant institutions and action should be taken to vest. | Will be discussed with the Roads Development Authority and future action will be taken. |
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3.4.3 Vehicle Utilization

Audit Observation

Recommendation

Comments of the Accounting Officer

Fuel consumption of 02 vehicles belong to the Sabha had not been checked as per paragraph 3.1 in Public Administration Circular No. 30/2016 dated 29 December 2016.

Fuel consumption should be checked as per instructions given in the circular.

Fuel consumption will be checked in due course

3.5 Procurements

3.5.1 Procurement Plan

Audit Observation

Recommendation

Comments of the Accounting Officer

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

Procurement Plan should be prepared.

Has been prepared for the year 2019.

3.5.2 Contracts Administration

Activities' not performed

Audit Observation

Recommendation

Comments of the Accounting Officer

Although a sum of Rs. 11,000,000 had been estimated to implement 13 projects, according to the budget for the year under review, any project had not been implemented during the year under review.

Provisions for capital expenditure should be made in the budget after having specific activities.

Although it was expected to perform those activities out of income to be received by tendering the 10 stalls constructed in Badalkumbura town, it was not possible to award the tenders. Therefore, those projects could not be performed.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

Recommendation

Comments of the Accounting Officer

According to the budget for the year under review, when estimated revenue and expenditure are compared with the actual revenue and expenditure there were variations from 20 percent to 71 percent in 05 items of revenue and variations from 12 percent to 100 percent in 07 items of expenditure.

Realistic budget should be prepared and targets shown therein should be achieved.

While variations occurred due to various reasons, provisions were transferred to meet excesses in Expenditure Heads Failure in awarding tenders for stalls in the town and savings in expected expenditure due to that were the reasons for supplementary estimates.

4.2 Internal Audit

Audit Observation

Recommendation

Comments of the Accounting Officer

An internal audit had not been carried out in the Pradeshiya Sabha for the year under review.

An officer should be appointed for internal audit work.

Although it had not been done for the year under review, will be done in the ensuing year.

4.3 Audit and Management Committee.

Audit Observation

Recommendation

Comments of the Accounting Officer

An Audit and Management Committee. had not been conducted in the Sabha for the year under review as per Management Audit Department Circular No. DMA/200 (01) dated 9 June 2009 relating to Internal Audit Guidelines.

An Audit and Management Committee should be established in the Sabha.

Wish to inform that a new committee has been appointed and it is in operation actively.