

Badulla Pradeshiya Sabha
Badulla District

1. Financial Statements

1.1 Presentations of Financial Statements

The financial statements for the year 2018 had been presented for audit on the 08th of March 2019 and the summary report of the auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on the 30th of May 2019 and on the 31st of May 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis of qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Badulla Pradeshiya Sabha as at 31st December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) Although the revenue billed for the stamp fees in the year under review was Rs. 6,000,000, due to the account adjustment of Rs. 18,000,000, the revenue and the current assets for the year had been overstated by Rs. 12,000,000	Should be correctly brought to account	Action will be taken to rectify in future
(ii) Although the receivable court fine as at 31 December for the year under review is Rs. 7,726,225, it had been accounted as Rs. 8,000,000	Should be correctly brought to account	Action will be taken to rectify in future
(iii) Interest on fixed deposits receivable as at 31 December of the year under review Rs. 358,854 had not been accounted	Should be correctly brought to account	Action will be taken to rectify in future

- (iv) Assets amounting Rs. 85,900 which had been abused in the previous year based on product survey recommendations had not been accounted
- Should be correctly brought to account
- Action will be taken to rectify in future

1.4 Non compliance

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

Reference of Laws, Rules, Regulations and Management Decisions	Non-Compliance	Recommendation	Comments of the Accounting Officer
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(a) Pradeshiya Sabha Act No. 15 of 1987	25 cemetery related lands had not been surveyed	Should act in accordance with the provisions of the act	The surveying has been handed over to the survey department by the Divisional Secretary and will be taken over after completion
(i) Section 127			
(ii) Gazette No. 1997 of 09 December 2016 of section 153 (1)	Although bye-laws were issued to impose a tax of 2% of the capital land value of undeveloped lands in the council area in 2017, action has not been taken to identify the undeveloped lands and to impose the tax as at 31 December 2018	Should act in accordance with the provisions of the act	A survey will be conducted and action will be taken to collect the tax in future
(b) Circular No. 1980/46 of 31 December 1980 of the commissioner of Local Government	Although the Sabha should assess the shop rent once in 05 years, 19 shops of the mall at 2 nd mile post belonging to the Sabha had been leased to an external party after 2012 without valuation	Action should be taken according to the circular	Valuation has been conducted in 2019

2. Financial Review

2.1 Financial Results

According to the financial statement presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs. 14,964,244 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 4,343,789.

2.2 Revenue Administration

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

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below

2018

2017

Source of Revenue	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs..
Rates and Taxes	1,011,972	963,704	634,829	377,143	995,047	992,070	704,992	287,078
Rent	557,200	516,000	505,725	551,475	540,523	540,523	514,303	26,220
License Fees	355,000	350,000	758,480	0	284,000	284,000	517,417	0
Other Revenue	510,000	510,000	412,319	97,681	660,000	506,106	378,805	127,302
Total	2,434,172	2,339,704	2,311,353	1,026,299	2,479,570	2,322,699	2,115,517	440,600

2.2.2 Performance in collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Out of the total assessed revenue of Rs. 2,339,704 of the year under review, Rs. 1,026,299 had not been collected. It is 44 percent of the total assessed revenue.	Recovery of arrears of revenue should be intensified	Action has been taken to recover by prohibiting property
(b) Due arrears of deficit assessments, capital aid, shop rent, garbage tax, water connection fee and water charges amounting Rs. 2,766,891 which has been existing for over an year had not been recovered in the year under review.	Action should be taken to recover the due revenue.	Non-recoverable rentals are being deducted and the other fees are being collected.

2.2.3 Court Fines and Stamp Fees

(a) Court Fine

Audit Observation	Recommendation	Comments of the Accounting Officer

Receivable court fine of Rs. 8,000,000 as at 31 December of the year under review had not been collected.

Recovery of court fee arrears should be intensified.

Subscriptions for the months which cash had not been received, were prepared and sent Subscriptions for the months which cash had not been received, were prepared.

(b) Stamp Fees
Audit Observation

Recommendation

Comments of the Accounting Officer

Receivable Stamp Fees of Rs. 18,000,000 as at 31 December of the year under review had not been collected

Recovery of stamp fee arrears should be intensified

Subscriptions for the months which cash had not been received, were prepared and sent

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.

(a) Action Plan

Audit Observation

Recommendation

Comments of the Accounting Officer

An action plan had not been conducted for the year under review.

An action plan should be prepared and conducted accordingly

An action plan will be conducted in 2019.

(b) Sustainable Development Targets

Audit Observation

Recommendation

Comments of the Accounting Officer

Although the council was aware of the “UN Sustainable Development Agenda 2030”, the action Indicators for measuring goals and targets which were identified as applicable to the council were not identified.

The indicators for measuring the sustainable development objectives and targets should be identified and the progress in achieving the annual goals should be measured

The indicators for measuring the objectives and targets of the sustainable development will be identified for the continuation of work in the future

3.2 Management Inefficiencies

----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) The backhoe machine belonging to the Sabha had been used by the Ministry of Rural Infrastructure for the house development project in the estate area on the 12 th and 19 th October 2018. Nevertheless, the usage charges of Rs. 24,610 for the machine hours of 10.7 had not been recovered.	Action should be taken to settle the amount owed to the Sabha	Action will be taken to recover the charges
(b) An expenditure credit balance and an Industrial balance amounting Rs. 4,154,791 which have been existing for over a year had not been settled in the year under review	Action should be taken to settle the arrears	Action will be taken to settle the arrears in the current year

3.3 Solid Waste Material Management

----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Although the Badulla Pradeshiya Sabha had been disposing garbage for over 30 years in an area belonging to the Wewassa Estate, this land had not been taken over by the Sabha as at 31 December 2018	Action should be taken to acquire the land relevant to the Sabha	Correct measures will be taken in future
(b) No action was taken by the Pradeshiya Sabha to obtain a permit or an environmental protection license in accordance with paragraph 22 (o) of the Solid waste by-law and the provisions of the National Environmental act 47 of 1980	A permit or an environmental protection license should be obtained in accordance with the provisions of the act	Correct measures will be taken in future

- (c) The waste management programme on recycling the degradable garbage and converting it into useful activities had not been prepared by the Pradeshiya Sabha
- Degradable garbage should be utilized for useful purposes
- Correct measures will be taken in future

3.4 Procurement

----- Procurement plan -----

Audit Observation	Recommendation	Comments of the Accounting Officer
----- A procurement plan had not been prepared by the council for the year under review	----- A procurement plan should be prepared	----- A procurement plan for 2019 is being prepared

4. Accountability and Good Governance

----- 4.1 Internal Audit -----

Audit Observation	Recommendation	Comments of the Accounting Officer
----- No internal audit was carried out for the year under review	----- An internal audit should be carried out	----- Action will be taken to conduct an internal audit for 2019

4.2 Implementation of Audit and Management Committee

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Although an Audit and Management Committee should be established at least once in 04 months as per provisions in the Management Audit Circular No. DMA/2009 of 09 June 2009, only 02 meetings had been held in the year under review	----- An internal audit should be carried out according to the circular instructions	----- Action will be taken to conduct an internal audit once in 04 months in 2019