

Badalkumbura Pradeshiya Sabha

Monaragala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented for audit on 07 February 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 15 June 2020 and 23 June 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the part, basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Badalkumbura Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the Qualified Opinion

Lack of Evidence for Audit

Audit Observations	Recommendations	Comments of the Accounting Officer
Documents for prove the possession and the valuation reports on Lands and Buildings of Rs.493,260,000 had not been rendered to the audit.	Evidence for confirming the balances declared in the financial statements should be furnished.	Inform that necessary provisions for surveying had not been received and reports had not been received on valued lands.

1.4 Non Compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Non Compliances	Recommendations	Comments of the Accounting Officer
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(a) <u>Pradeshiya Sabha Act</u> <u>No.15 of 1987</u> Section 139	The term report for the task of assessing and recognizing of all the property that could be able to charge rates had not been obtained.	The term report for assessing should be obtained.	Inform that it had been sent for the Governor to obtain the approval for the necessary actions that would be taken in the future.
(b) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u> F.R. 760	Actions had not been taken on shortage of 56 items of goods identified by the Board of Survey carried out in the year 2015.	Actions should be taken on the shortage of goods.	Inform that 30 items had been found up to now.
(e) Extraordinary Gazette No.1597/8 dated 17 April 2009	107 building plans approved in the years 2014, 2015 and 2016 by the Sabha had not been inspected and issued the Certificates of Conformity.	The constructions should be physically inspected and certified according to the regulations of the Gazette.	Inform that obtaining the Certificates of Conformity would be made compulsory in the future.

2. Financial Review

2.1 Financial Results

According to the financial statements presented for the year ended 31 December 2019, the excess of revenue over recurrent expenditure of the Sabha amounted to Rs.4,046,273 as compared with the corresponding excess of revenue over recurrent expenditure of the preceding year amounting to Rs.1,741,559.

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.

Source of Revenue	2019				2018			Total arrears as at 31 December
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	1,021,000	1,021,000	975,156	45,844	790,000	948,957	846,484	102,473
(ii) Rent	6,961,680	6,961,680	6,494,102	467,578	13,099,200	3,690,051	2,899,037	791,014
(iii) Licence Fees	862,000	640,143	640,143	-	666,200	621,280	621,280	-
(iv) Other Revenue	7,471,570	7,471,570	6,686,360	785,210	2,784,000	4,446,579	3,279,446	1,167,133
Total	16,316,250	16,094,393	14,795,761	1,298,632	17,339,400	9,706,867	7,646,247	2,060,620

2.2.2 Rates and Taxes

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Rates		
(i) Rs.99,233 had not been recovered as at 31 December out of The revenue billed for the year under review of Rs.395,262 therefore it was 25 per cent from the total revenue billed.	The rates in arrears should be recovered.	Inform that Rs.66,740 had been recovered up to now.
(ii) Rs.200,442 had not been recovered out of the balance of the rates in arrears at the beginning of the year under review of Rs.281,030. Therefore that amount not recovered had been 71 per cent out of the rates in arrears at the beginning of the year.	The rates in arrears should be recovered.	Inform that Rs.66,740 had been recovered up to now.
(b) Taxes		
An amount of Rs.417,556 had not been recovered on leasing out 13 property owned by the Sabha for the time period of year 2011 to 2018.	The tax in arrears should be recovered.	Inform that the balances in arrears had been wrong because of the Registers had been maintained wrongly, therefore they would be corrected and recover the right amount in the future.

2.2.3 Stall Rent

Audit Observations	Recommendations	Comments of the Accounting Officer
Revenue of Rs.479,600 from May 2016 to 31 December 2019 had been lost because of not taking actions to recover the rent on the valuation of the Chief Valuer of Uva Province, from 10 out of 13 stalls in the Two Storied Shopping Complex owned by the Sabha in the Bus Stand.	The rent should be charged on valuation reports.	Inform that a new valuation would be carried out in the year 2021 therefore actions would be taken on that new valuation.

2.2.4 Other Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Rs.231,240 of rent for renting out the Road Compressor and the Tipper owned by the Sabha had not been recovered as at the end of the year under review.	The arrears in revenue should be recovered as soon as possible.	Inform that it had been recovered Rs.156,720 and the rest of the amount would be recovered.
(b) Water Charges amounting to Rs.154,035 for the year under review and for the preceding year had not been charged.	The arrears money should be recovered as soon as possible.	Inform that it had been recovered Rs.39,670 and the rest of the amount would be recovered.

2.2.5 Court Fines and Stamp Duty

Audit Observations	Recommendations	Comments of the Accounting Officer
Court Fines and Stamp Duty as at 31 December of the year under review of Rs.1,301,831 and Rs.3,035,916 respectively had not been recovered.	The arrears Court Fines and Stamp Duty should be recovered.	Inform that it had been recovered Court Fines and Stamp Duty Rs.778,839 and Rs.1,225,799 respectively and the rest of the amount would be recovered in the future.

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, public utility services and public thoroughfares, public comfort, convenience and welfare.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) <u>Solid Waste Management</u> Actions had not been taken to produce organic fertilizer out of the waste decay.	Actions should be taken to produce Organic Fertilizer.	Inform that actions are being taken to produce Organic Fertilizer.
(b) <u>Targets of Sustainable Development</u> The Sabha had not been identified the indices for measuring the Progress of the Sustainable Development Targets relevant to the Sabha and achieved them, Even though Sabha had been aware of the “Sustainable Development Goals Agenda of United Nations 2030”	Goals and Targets of the Sustainable Development and indices to measure the progress of achieving them should be identified and measured.	Inform that a basic evaluation had been done on this and actions would be taken in the future.

3.2 Management Inefficiencies

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) 03 Vehicles owned by the Sabha had been given to auction on 03 December 2013 to the Provincial Machinery Office in Kahagolla but further actions had not been taken on them.	Actions should be taken on the future actions.	Inform that actions had been taken to acquire the possession of the Cab and to obtain the money for the hand tractor and the bids had been invited to auction the Water Bowser.
(b) <u>Issuing the Environment Protection Permits</u> A revenue of Rs.292,000 had been lost because of not obtaining environment protection permits for 73 activities, Rs.4,000 each environment protection permits	The environment protection permits should be issued after investigating the businesses and charging the relevant fee.	The relevant industry owners had been informed.
(c) The legal possession of 04 vehicles used by the Sabha had not been acquired.	Actions should be taken to acquire the legal possession.	Inform that possession would be acquired after the necessary documents are prepared.

3.3 Human Resources Management

Audit Observations	Recommendations	Comments of the Accounting Officer
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<p><u>Employee Vacancies</u> There had been 8 vacancies relevant for 05 Posts as at 31 December of the year under review.</p>	<p>The vacancies should be filled in the Staff.</p>	<p>Inform that The details had been forwarded to the Department of Local Government.</p>

3.4 Assets Management

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) The legal possession had not been acquired in 98 pieces of Lands of about 79 Acres and 89 pieces of Lands had not been surveyed owned by the Sabha.	Actions should be taken to survey the Lands and acquire the legal possession.	Inform that the necessary documents had been forwarded to the Office of the Divisional Secretary.
(b) The possession of 02 Stalls in Bogahapelassa constructed of Rs.1,617,483 at Bogahapelassa Junction could not be able to acquire because it had been constructed in the road reserve.	Actions should be taken to discuss with the relevant institute and acquire them.	Inform that the possession would be acquired in the future after reaching to an Agreement with the Road Development Authority.
(c) 15 Acres of the Vikumuburawatta land in Pussellawa Grama Niladari Division had been acquired on 14 December 2010 for the use of Sabha according to a decision taken at a special general meeting on 12 June 2009 for a Program of Garbage Recycling. And also it had been spent Rs.120,000 for surveying the land in the year 2010. Even though it had been nearly 09 years the program had been failed to implement and 11 unauthorized families had been settled.	The Program for Garbage Recycling should be started and the Land should be settled after evacuating the unauthorized families.	Inform that the necessary actions are being taken to settle the Land.
(d) 541 books cost of Rs.64,833 had given to the readers by 04 libraries owned by the Sabha from the year 2007 to 31 December 2016 had not been returned or claimed money.	Actions should be taken to collect the books or claim money.	Most of the books had been received and actions would be taken to obtain the rest.

- (e) According to the roads inventory that had been last updated in the year 2014 102 roads had been recognized but it had not been published those roads and thoroughfares in the gazette according to the section 24(1) Pradeshiya Sabha Act No.15 of 1987. Actions should be taken updated the roads inventory and to publish the notices in the Gazette on the roads and thoroughfares. Actions would be taken to update the roads inventory and publish in the Gazette.
- (f) Vehicle Utilization
A Tipper owned by the Sabha had been given on rent to a Private Institute Rs.109 per Kilometer according to a decision taken at a monthly general meeting on 15 November 2018 and earned Rs.219,240 of rent income by renting it from 05 December 2018 to 03 June 2019. The following observations had been made.
- (i) An agreement had not been made with the relevant Private Institution when renting the Tipper. An agreement should be made when renting out the vehicles owned by the Sabha Inform that it had been rented out on a verbal agreement therefore an agreement in written had not been made.
- (ii) Even though the rented Tipper had been run for 6654 Km during the time period from 05 December 2018 to 24 February 2019 within the time period mentioned above, the running charts to prove those journeys had not been made. The running charts should be prepared. Inform that the running charts had been lost by the driver and a register for fuel input had been maintained.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Sabha had not been carried out a proper Internal Audit for the year under review.	A proper Internal Audit should be carried out.	Inform that an Internal Audit Officer had been appointed and a proper internal audit would be carried out in the future.

4.2 Audit and Management Committee

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Audit and Management Committee had not been held for the year under review.	----- Audit and Management Committee should be held in the Sabha.	----- Inform that Audit and Management Committee would be held in the future.