

Baddegama Pradeshiya Sabha  
Galle District

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1. Financial Statements

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1.1 Presentation of Financial Statements

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The Financial Statements for the year 2019 had been presented for audit on 28 February 2020 and the report of the Auditor General sent on 22 June 2020 and the Detailed Management reports sent on 30 June 2020 to the Chairman of the Council.

1.2 Qualified Opinion

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In my opinion, except for the effect of matters described in the, basis for qualified opinion under the Section of my report the financial statements give a true and fair view of the financial position of the Baddegama 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 Qualified Opinion

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1.3.1 Accounting Deficiencies

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| Audit Observations                                                                                                                                                                                                                                | Recommendations                             | Comments of the Accounting Officer                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|----------------------------------------------------------------------------------|
| -----                                                                                                                                                                                                                                             | -----                                       | -----                                                                            |
| (a) Provisions were not made for the Audit fees to be paid for the year under review.                                                                                                                                                             | Provisions should be made.                  | Will be correctly accounted in future.                                           |
| (b) As according to the Balance confirmation presented by the Bank, the balance of Fixed deposits amounted to Rs.7,771,135 as at the end of the year under review yet it was accounted as Rs.7,934,659.                                           | Should be accounted correctly.              | Will be corrected by 2020 account.                                               |
| (c) Although the arrears of Local Government Service Pension Contribution as at the end of the preceding year amounted to Rs.6,440,016, although payments were not done it had been shown as Rs.3,891,494 as at the end of the year under review. | Contribution should be accounted correctly. | Will be rectified according to the Revised reports of the Department of Pension. |

### 1.3.2 Unreconciled Accounts

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Audit Observations

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There was a difference amounting to Rs.68,651,798 between the Balances of the Financial Statement and utility registers/ sub registers of 03 Accounting items as at 31 December of the year under review.

Recommendations

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Action should be taken to correct the accounts after reconcile the balances.

Comments of the Accounting Officer

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Action will be taken to correct in the future since the differences were seen since a long time.

### 1.3.3 Receivable Accounts

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Audit Observations

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Receivable accounts

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Action had not been taken to recover a receivable income amounting to Rs.43,655,577 in the preceding years.

Recommendations

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Receivable balances should be recovered.

Comments of the Accounting Officer

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Action will be taken to collect in future.

### 1.3.4 Lack of documentary evidence for Audit

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Non – submission of information  
Audit Observations

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Information regarding 04 items of account amounting to Rs.158,484,775 had not been presented for Audit.

Recommendations

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Action should be taken to update documents.

Comments of the Accounting Officer

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Action will be taken to rectify in future.

1.4 Non Compliance

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 Non-compliance with Laws, Rules, Regulations and Management Decisions.  
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| References to the Laws, Rules, Regulations and Management decisions         | Non-compliance                                                                                                                                              | Recommendation                                                 | Comments of the Accounting Officer                                    |
|-----------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------|
| -----                                                                       | -----                                                                                                                                                       | -----                                                          | -----                                                                 |
| (a) 1988 Pradeshiya Saba (Financial and Administrative) Rules               |                                                                                                                                                             |                                                                |                                                                       |
| (i) Rule 193                                                                | A statement had not been prepared depicting the reasons for the Excess and Deficiencies after comparing the Budget and Expenditure items.                   | Action should be taken according to the rules.                 | Action will be taken to act according to rules and correct in future. |
| (ii) Rule 217 and 218                                                       | An annual survey had not been conducted on Land and Buildings belonging to the Council and a report had not been maintained according to the P.S.46 format. | Action should be taken according to the rules.                 | Action will be taken to act according to rules and rectify in future. |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka |                                                                                                                                                             |                                                                |                                                                       |
| (i) Financial Regulation 702(3)                                             | Copies of the signed agreements contracts were not presented to the Auditors General.                                                                       | Action should be taken according to the Financial Regulations. | Copies were presented after being pointed out by the audit.           |
| (ii) Financial Regulation 1645 and 1646                                     | Daily running charts and Monthly Summaries of 06 vehicles were not presented for audit.                                                                     | Action should be taken according to the Financial Regulations. | Running charts will be presented in future without delay.             |

(c) Public Administration  
Circular.

- (i) Public Administration Circular No.30/2016 dated 29 December 2016 Fuel consumption tests was not done for 14 vehicles belonging to the council. Action should be taken according to Circulars. Action will be taken to correct the shown shortcomings.
- (ii) Public Administration Circular No.26/92 dated 19 August 1992. The National logo was not displayed on the vehicles belonging to the council. Action should be taken according to the Circulars. Action will be taken to correct the shown shortcomings.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the Revenue over Recurrent expenditure of the Council for the year ended 31 December 2019 amounted to Rs.18,447,239 as compared with the corresponding Revenue over Recurrent Expenditure for the preceding year amounted to Rs.21,803,317.

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 are shown below.

| Source of Income | 2019              |                  |                  |                                        | 2018             |                  |                  |                                        |
|------------------|-------------------|------------------|------------------|----------------------------------------|------------------|------------------|------------------|----------------------------------------|
|                  | Estimated Income  | Billed Income    | Collected Income | Total arrears of income at 31 December | Estimated Income | Billed Income    | Collected Income | Total arrears of income at 31 December |
|                  | Rs.               | Rs.              | Rs.              | Rs.                                    | Rs.              | Rs.              | Rs.              | Rs.                                    |
| Rates and tax    | 3,064,613         | 3,211,740        | 2,869,490        | 7,547,094                              | 2,733,661        | 3,320,053        | 1,355,819        | 7,206,728                              |
| Rent             | 7,683,200         | 3,319,320        | 3,303,250        | 422,706                                | 1,179,100        | 3,008,795        | 2,921,820        | 413,657                                |
| Permit fees      | 1,245,550         | 1,415,700        | 1,420,450        | -                                      | 1,175,000        | 1,369,680        | 1,364,930        | 4,750                                  |
|                  | <u>11,993,363</u> | <u>7,946,760</u> | <u>7,593,190</u> | <u>7,969,800</u>                       | <u>5,087,761</u> | <u>7,698,528</u> | <u>5,642,569</u> | <u>7,625,135</u>                       |

## 2.2.2 Assessment and Tax

### Audit Observations

### Recommendations

### Comments of the Accounting Officer

The arrears of assessment tax to be recovered as at 31 December of the year under review amounted to as high as Rs.7,528,161.

Arrears of income should be collected exigent.

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

## 2.2.3 Court Fines and Stamp Fees

### Audit Observations

### Recommendations

### Comments of the Accounting Officer

The Court Fines amounting to Rs.2,170,538 and Stamp Fees amounting to Rs.98,464,022 was to be recovered from the Chief Secretary of the Council and other authorities as at 31 December of the year under review. as according to the reports of the Chief Secretariat the Stamp fees and court fines amounted to Rs.2,292,511 and Rs.1,321,123 respectively.

Accounts should be corrected as according to the information of the Chief Secretariat.

The information of the Chief Secretary Office cannot be agreed.

## 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) Goals of Sustainable Development

### Audit Observations

### Recommendation

### Comments of the Accounting Officer

Plans had not been made according to 2030 Agenda for 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 prepare and include long-term plans for the sustainable development within the action plan.

A plan had been prepared and will be initiated in the future.

(b) Solid Waste management  
Audit Observations

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An environmental permit was not taken from the Central Environmental Authority for the Solid Waste management project .

Recommendation

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An environmental permit should be taken for the disposal of garbage.

Comments of the Accounting Officer

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Proper action will be taken to dispose garbage in future.

(c) Unfulfilled Tasks

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Audit Observations

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Although an amount of Rs.4,500,000 was approved to construct a Crematorium under Criteria Based Grants in 2016 yet construction work was not started even as at the end of the year under review.

Recommendation

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Action should be taken to legally obtain the ownership of the land and initiated the project.

Comments of the Accounting Officer

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Noted that the project cannot be initiated till the legal action is finished.

3.2 Management Inefficiencies

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Audit Observations

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02 vehicles belonging to the council are not under running conditions and 02 trailers were seen in degraded condition.

Recommendation

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Action should be taken to Repair or to dispose.

Comments of the Accounting Officer

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Action will be taken to repair or dispose in the future.

3.3 Human Resource Management

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Audit Observations

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(a) 15 of Excess of cadre and 07 of Vacancies were present.

Recommendation

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Action should be taken to recruit to vacancies and formalize excess of cadre.

Comments of the Accounting Officer

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Approval had been request for the excess of cadre.

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|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|------------------------------------------------------------------|
| (b) | 13 staff recruited under Casual, Substitutes, and Contract based against the Management Service Circular No.25/2014 were paid Rs.3,114,331 as salary and wages in the year under review. | Action should be taken according to the Circular. | Recruitment and salary payments were done under Needed services. |
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3.4 Assets Management

3.4.1 Assets not acquired

| Audit Observations                                                                                                                                                                                                                                                              | Recommendation                                                                               | Comments of the Accounting Officer                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------|
| (i) Although an amount of Rs.2,044,000 was paid to acquire the ownership of the Lellawatta Panwila land of 02 Acres and 14.4 Perch from the Land Reclamation Commission, yet ownership was not acquired.                                                                        | Action should be taken to acquire the legal ownership of the land.                           | Noted that legal action was initiated.                   |
| (ii) Although an amount of Rs.500,000 was paid to the Land Reclamation Commission to obtain the ownership for land for the construction of Makurugodawatta Land weekly fair, Garbage unit and the construction of the Town hall, yet the ownership of the land was not acquire. | Action should be taken to acquire the legal ownership of the land and initiate the projects. | The ownership of the land could not be acquire till now. |
| 3.4.2 Idle and Under Utilized Assets.                                                                                                                                                                                                                                           |                                                                                              |                                                          |
| (a) The building constructed for the storage of solid waste amounting to Rs.156,455 was not used and the building constructed before this was not used and left idle.                                                                                                           | Action should be taken to utilize idle buildings.                                            | Action will be taken to utilize in future.               |
| (b) The Hardi mech and the J.C.B machine belonging to the council was left idle.                                                                                                                                                                                                | Action should be taken to repair or dispose.                                                 | Action will be taken to repair or dispose in future.     |

4. Accountability and Good governance

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Internal Audit  
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Audit observations  
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A proper internal audit had not been conducted in the year under review and Audit reports were not sent to the Auditors General.

Recommendation  
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Proper internal audit should be conducted.

Comments of the Accounting Officer  
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Audit will be done after appointing a suitable officer by the approval of the new cadre.