

**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 2016 had been presented to audit on 21 February 2017 and the financial statements for the preceding year had been presented on 17 February 2016. The report of the Auditor General for the year 2016 had been forwarded to the Secretary of the Sabha on 16 August 2017.

**1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Baddegama Pradeshiya Sabha give a true and fair view of the financial position of the Sabha as at 31 December 2016 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Deficiencies**

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The contributions of Rs.6,301,262 payable to the Local Government Pensions Fund as at end of the year under review had not been brought to account under creditors in the financial statements.

**1.3.2 Unreconciled Control Accounts**

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The differences between the balances of 09 items of accounts aggregating Rs.16,593,207 as per financial statements and the related balances appearing in the subsidiary registers and reports totalled Rs.10,425,033.

**1.3.3 Accounts Receivable and Payable**

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The following matters were observed.

- (a) Action had not been taken to settle balances of 07 accounts receivable totalling Rs.12,161,141 which continued to be brought forward in the financial statements for a long time.

- (b) (i) Six accounts payable aggregating Rs.4,928,588 which continued to be brought forward for a long time had not been settled.
- (ii) The balance of Value Added Tax of Rs.276,585 and the balance of Nation Building Tax of Rs.94,413 which continued to be brought forward from prior to 2013 had not been settled.

**1.3.4 Lack of Evidence for Audit**  
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Schedules for stock of tar totalling Rs.15,550, age analysis and detailed information for deposits of Rs.18,394,739 and employees’ loans of Rs.3,042,880 had not been furnished for audit. As such, these could not be satisfactorily examined in audit.

**1.3.5 Non – compliance with Laws, Rules, Regulations and Management Decisions**  
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The following instances of non – compliance with laws, rules and regulations were observed in audit.

**Reference to Laws, Rules, Regulations etc.,**  
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**Non – compliance**  
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**Financial Regulations of the Republic of Sri Lanka**  
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| (i) F.RR 570 and 571(1)(2) | Action had not been taken with regard to deposits of 04 categories totalling Rs.2,528,212 which had exceeded 02 years as at 31 December 2016. |
| (ii) F.RR 1645 and 1646    | Daily running charts and monthly performance summaries of 13 vehicles of the Sabha had not been furnished to audit.                           |

**2. Financial Review**  
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**2.1 Financial Results**  
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According to the financial statements presented to audit, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.18,235,414 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.11,784,647. A comparison with the preceding year shows an improvement in financial results of the year under review by Rs.6,450,767.

## **2.2 Working Capital Management**

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It was observed that the current and quick ratios of the year under review was not satisfactory as compared with the previous year.

## **2.3 Revenue Administration**

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### **2.3.1 Rates and Taxes**

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The rates and taxes and the surcharge on rates and taxes recoverable for the year under review totalled Rs.8,209,200 and Rs.197,656 respectively. Of these, Rs.1,802,707 only had been recovered during the year resulting in an arrears of balances of rates and taxes amounting to Rs.6,604,150, at end of the year.

### **2.3.2 Acreage Tax**

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The arrears at commencement of the year amounted to Rs.24,683 and the billings amounted to Rs.18,350. Of these, Rs.16,457 only had been recovered. As such the arrears further recoverable as at end of the year amounted to Rs.26,576.

### **2.3.3 Court Fines and Stamp Fees**

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Court fines of Rs.1,697,711 and stamp fees of Rs.33,932,314 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2016.

## **3. Operating Review**

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### **3.1 Management Inefficiencies**

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The following observations are made.

- (a) (i) Action had not been taken to fill vacancies in the approved cadre and to regularize the excess cadre of 28.
- (ii) Two employees of the primary level had been assigned with the duties relevant to the posts of Management Assistants and two labourers had been assigned with the duties of drivers.
- (b) The average monthly balance of 04 bank current accounts of the Sabha aggregated of Rs.3,496,860. But, the Sabha had not paid attention to invest this amount and earn revenue.

- (c) The sum of Rs.137,774 granted from the Library Development Fund with the objective of improving the library resources during the year 2011 had been deposited in a savings account.
- (d) The Sabha had not taken action in terms of paragraph 02 of the circular No.02/2015 of 10 July 2015 of the Secretary to the Ministry of Finance for usage of condemned vehicles in state institutions with regard to the condemned cab of the Sabha.
- (e)
  - (i) Ten tyres purchased on 27 November 2014 under the Strengthening of Pradeshiya Sabha Programme remained idle at the stores even by 06 April 2017.
  - (ii) A motor, FM micphone and a DVD machine purchased prior to 2009 remained at the stores till 06 April 2017 without being used.

### **3.2 Uneconomic Transactions**

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The motor grader granted to the Sabha in 2014 had been utilized for 260 hours only since that date. A sum of Rs.114,642 had been spent in 2016 to obtain insurance coverage.

### **3.3 Contract Administration**

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A sum of Rs.1,000,000 had been given under the criteria based specific grant for the project of laying inter connecting block stones on the floor between the stalls at the Ginimellagaha Dodangoda Week End Fair. According to Work Item No.03, a sum of Rs.401,625 had been paid to lay concrete with a thickness of 03 inches between the stalls. But, the concrete had not been properly laid. As such, stones had appeared on the surface and the surface had been filled with water as levelling had not been done.

### **3.4 Solid Waste Material Management**

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The Baddegama Pradeshiya Sabha collects the garbage by classifying them. Degradable garbage had been used to manufacture compost fertilizer for sale and the non-degradable garbage had been sold. The waste material management had been successfully carried out. But, an environmental licence had not been obtained for the garbage management premises.

#### **4. Good Governance and Accountability**

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##### **4.1 Budgetary Control**

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Due to the savings aggregating Rs.39,618,409 in 08 items of expenditure and the revenue not achieved aggregating Rs.31,601,538 in 03 items of revenue with regard to the budget of the year under review, it was observed that the budget had not been used as an effective instrument of management control.

##### **4.2 Internal Audit**

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Internal audit had not been carried out in terms of Financial Regulations 133 and 134 of the Financial Regulations of the Republic of Sri Lanka and the circular No.දළපා/යහ/01/න.ව.ලේ of 24 February 2014 of the Commissioner of Local Government (Southern Province)

##### **4.3 Implementation of Audit and Management Committees**

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Action had not been taken even by end of the year under review to establish audit and management committees in terms of the Management Audit Circular No: DMA/2009(i) of 09 June 2009.

#### **5. Systems and Controls**

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Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time by audit queries. Special attention is needed in respect of the following areas of systems and controls.

<b>System</b>	<b>Main Deficiency in the System</b>
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(a) Control over Vehicles	(i) Consumption of fuel by vehicles of the Sabha had not been tested
	(ii) Action had not been taken to repair/dispose of idle vehicles
	(iii) Daily running charts and monthly performance summaries had not been furnished to audit.
(b) Accounting	(i) The Sabha had not maintained a register of fixed assets.

- (ii) The register of deposits had not been updated. The closing balance had not been brought forward.
  - (iii) The register of creditors had not been properly maintained.
- (c) Revenue Control
  - (i) Proper procedures had not been adopted for recovery of arrears of revenue.
  - (ii) Action had not been taken to recover stamp fees and court fines revenue in an updated manner.
  - (iii) Action had not been taken to invest surplus cash in bank current accounts so as to earn revenue.
- (d) Staff Management
  - (i) Action had not been taken to fill vacancies and to regularize excess staff.
  - (ii) Action had not been taken to recover the balances of loans due from officers who had worked in the Sabha.
  - (iii) Employees had been assigned with duties of higher posts not relevant to them.
- (e) Creditors and Debtors
  - (i) Action had not been taken to settle the balances of assets and liabilities existing from previous years.
  - (ii) Action had not been taken to settle the balances of accounts receivable and payable.