

Ridimaliyadda Pradeshiya Sabha
Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2017 had been submitted for audit on 16 May 2018 and the report of the Auditor General had been sent to the Chairman on 30 August 2018.

1.2 Qualified Opinion

In my opinion except for the effect on the matters, described in Paragraph 1.3 of this report, Financial Statements give a true and fair view of the financial position of the Ridimaliyadda Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following were observed

- a. Works relation of Rs.55,000 to be credited to General Deposits Account as at 31 December of the year under review was not accounted as such liabilities were understated by that amount.
- b. Environmental Protection License Fees amounting to Rs.29,000 received in the year under review was accounted as prepayment and as such the current assets were overstated and income were under stated by that amount.

1.3.2 Unreconciled Accounts

The following were observed

- a. Although the balance of the General Deposits Account was Rs.2,314,120 at 31 December of the year under review, it was accounted as Rs.2,977,828 in the Statement of Financial Position as such it was observed that there a difference of Rs.663,708.
- b. There was a difference of Rs.203,212 when carrying forward the balance of 4 stocks from the preceding year to the year under review.

1.3.3 Accounts Receivable and Payable

a. Accounts Receivable

At the end of the year under review, accounts receivable balance amounted to Rs.22,427,066 includes arrears of capital grants due for 3 years. amounting to Rs.22,251,036, Business Tax due for 1 year amounting to Rs.3,450, and shop rental due for 3 years and Rs172,580 of shop rent not collected not recoverable.

b. Accounts payable

At the end of the year under review, accounts payable balance amounted to Rs.26,573,008 includes payable expenditure creditors for 4 years amounting to Rs.251,475, work creditors for 3 years amounting to Rs.22,564,668, creditors for 2 years amounting to Rs.3,756,865 not settled.

1.3.4 Lack of Written Evidence for Audit

Due to the lack of evidence for audit a total of 3 accounting items amounting to Rs.71,492,372 could not be satisfactorily vouched.

1.3.5 Non-compliance

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

Following instances of non-compliance with Laws, Rules, Regulations and management decisions were observed.

	Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
		Rs.	
a.	Pradeshiya Sabha Act No.15 of 1987		
i.	Section 132(g)	95,925	A backhoe loader belonging to the Saba was rented out for 41.7 working hours to a welfare society without the prior approval of the Minister.
ii.	Section 158,159	757,410	The arrears income of the year under review and the preceding year were not recovered by the Secretary of the Sabha.

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|------|---|--------|---|
| b. | 1988 Pradeshiya Sabha (Financial and Administration) Rules | | |
| i. | Rule 214 | | Annual Stock Verification had not been done. |
| ii. | Rule 218 | | Land and Building belonging to the Sabha had not been verified and documented. |
| c. | Section 1.6 of the Chapter XXIV of Establishment Code of Democratic Socialist Republic of Sri Lanka | 25,173 | Staff loans to be recovered due from 1996 were not collected from 05 employees who had been transferred out from the Sabha. |
| d. | Financial Regulations of the Democratic Socialist Republic of Sri Lanka | | |
| i. | Financial Regulation 104(3) | | A complete report of the accident cause to the backhoe machine was not submitted even up to 31 December 2017. |
| ii. | Financial Regulation 110 | | A Register of damages was not maintained. |
| iii. | Financial Regulation 133 | | An Internal Audit for the year under review was not conducted. |
| iv. | Financial Regulation 571 | 24,468 | Action had not been taken to get in to the income 04 deposits which were existing over 2 years. |
| e. | Section 2000(iv)(b) of the Gazette of the Democratic Socialist Republic of Sri Lanka dated 30 December 2016 | | Although a Tax of 1 per cent for undeveloped land was imposed, action had not been taken to identify such lands. |

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, surplus over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.5,096,770 and the corresponding surplus over recurrent expenditure for the preceding year amounted to Rs.4,020,808.

2.2 Revenue Administration

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

The detail of the Income, Billed Income, Collected Income and Arrears of Income for years under review and the preceding year are stated below

2.2.2 Performance of Revenue Collection

		2017				2016			
Source of Income	Estimated Income	Billed Income	Collected Income	Arrears. at 31 December	Estimated Income	Billed Income	Collected Income	Arrears. at 31 December	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
(i) Rates and Tax	332,676	336,768	336,768	--	177,240	254,238	254,238	--	
(ii) Rental	5,425,951	5,596,690	5,596,690	--	5,219,600	5,219,600	4,108,636	1,110,964	
(iii) License Fees	719,000	751,125	751,125	--	624,000	758,150	758,150	--	
(iv) Other Income	1,045,600	1,045,600	591,092	454,508	650,100	704,298	704,298	--	
Total	7,523,227	7,730,183	7,275,675	454,508	6,670,940	6,936,286	5,825,322	1,110,964	

The total billed revenue as at 31 December 2017 amounted to Rs. 7.7 million while collected revenue amounted to Rs.7.2 million. However, revenue collected amounted to Rs.0.45 million and in comparison to the preceding year the arrears of revenue collection was reduced by 59 per cent.

2.2.3 Court Fines and Stamp Duties.

The court fines and stamp duties to be recovered from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017 amounted to Rs.300,000 and Rs.1,200,000 respectively.

3 Operational Review

3.1 Performance

Facts revealed after the analysis of the execution of tasks by the Pradeshiya Sabha in accordance with the Section 3 of the Pradeshiya Sabha Act 1987 such as regulation of health of the public, common utility services and public road facilities and maintenance of people's prosperity, comfort and development are given below.

a. Action Plan

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

b. Environmental Problem

A Solid Waste Management Project had not been started by the Sabha and the collected waste had been dumped inappropriately to Andaulpatha cemeterial land.

c. Goals of Sustainable Development Goals

Due to the Sabha not being aware of 2030 agenda of the Sustainable Development, Goals the global view of such purposes to enhance the living standards and health of the people living in the Council area of authority had not been initiated up to 31 December 2017.

3.2 Operational Inefficiencies

a. Collecting rental for Three-wheeler Parks

Hundred and Fifty four three wheelers were registered for parking in 13 parks within the Council area for an annual fee of Rs. 1,000 from the years 2011 to 2017. However, by laws were not enacted to earn income to the Council.

b. Tendering Andaulpatha Weekly Fair

An agreement was signed to rent out the Andaulpatha weekly fair belonging to the Council for an amount of Rs.131,500 on 21 January 2014 and the lease had left the agreement on 20 April 2015. Although, the Council had been imposed to recover the loss occurred from collected the fair rent on the Decision taken on 07 July 2015 there was a loss of Rs.333,467 for the Council Fund. Although the Commissioner of Local Government had all parties on 18 August 2016, any amount was recovered up to December 2017.

3.3 Operational Inefficiencies

a. Not come to Agreement for Shop Rental According to the New Assessment

- i. Although the rental should be assessed in every five years and collect in according to Commissioner of Local Government Circular No.1980/46 dated 31 December 1980, rental for 2 shops belonging to the Council had been collected annual fee without coming to an agreements and based on using temporary valuation for an amount of Rs.136,650.

- ii. Although the rental must be get valued from the Government Valuation Department according to the Circular stated above the Council had collected rental for 09 shops base on their own valuation.

b. Unsettled Advances

The Council had given advances amounting to Rs.596,835 for 9 Farmer’s Organization for 15 constructions in the year 2014. But the respective constructions were not completed, and the advance was not recovered even up to 31 December 2017.

3.4 Procurement

3.4.1 Procurement Plan

A procurement plan in accordance with the Section 04 of the 2006 Procurement Gide Line 4.2, had not been prepared by the council for the year under review. amounting to of Rs.3,955,526

4. Accountability and Good Governance

4.1 Budget Control

It was observed that there was considerable variation in the budgeted revenue and expenditure for the year under review with the actual revenue and expenditure the Council and that there was a variation of 07 subjects of revenue in the ranged of 26 per cent to 100 per cent and a variation of 08 subjects of expenditure in the ranged of 15 per cent to 100 percent as such indicating the budget had not been made used as an effective tool of management control.

5. Systems and Controls

Deficiencies observed in audit had been informed to the Council time to time and special attention is needed in the following areas of control.

System	Weakness
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a. Accounting	<ul style="list-style-type: none"> i. The balances of accounts not reconciled with schedules. ii. Differences of amounts between the ledger and the Financial Statement. iii. Not maintained Income Registers.
b. Contract Administration	<ul style="list-style-type: none"> i. Not recovering the adverse given for Project not stated.