

Bandarawela Municipal council
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 22nd of May 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 Bandarawela Municipal council 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) The stamp duty revenue of the year under review had been understated by Rs. 2,229,117	Should be correctly brought to account	This account deficiency will be taken to rectify in 2019
(ii) Court fine revenue of the year under review had been understated by Rs. 354,579	Should be correctly brought to account	This account deficiency will be taken to rectify in 2019
(iii) Environmental license fee revenue of the year under review had been overstated by Rs. 55,800	Should be correctly brought to account	This account deficiency will be taken to rectify in 2019
(iv) Rs. 23,516 which was accounted in the employee deposit account had been accounted in the investment interest account	Financial statement balance Should be corrected with schedules balance	This account deficiency will be taken to rectify in 2019

- (v) The balance of 04 items of accounts as per financial statements and the balances in the related subsidiary register schedules differed by Rs. 3,217,851

(b) Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	\Comments of the Accounting Officer
An asset of Rs. 3,051,552 and a liability of Rs. 12,975,969 could not be satisfactorily vouched in audit due to non-rendition of necessary information	Evidence to confirm the balances shown in the financial statements should be furnished	Action will be taken to submit all evidence for Audit in 2019

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
(a) Municipal Council Act			
(i) Section 218	At the end of each fiscal year, a detailed report on the administration of the Municipal Council had not been submitted to the Council and to the Minister	Should act in accordance with the provisions of the act of the Municipal Council	Since the following fiscal year, Section 218 of the ordinance will be prepared and submitted
(ii) Section 227	There were no written agreements with regard to 289 leased outlets in the year under review	Should act in accordance with the provisions of the act of the Municipal Council	Action will be taken to enter into agreements with the relevant parties

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| (b) | Chapter 1, 1.2.1 of the procurement plan of the Democratic Socialist Republic of Sri Lanka | 04 public toilets were rented without following the tender procedure | Should comply with the procurement manual | Action will be taken to tender in accordance with the procurement manual |
| (c) | Public administration circular No. 2016/30 of 29 December 2016 | the fuel consumption of 26 vehicles belonging to the Pradeshiya Sabha had not been checked | The related activities should be conducted in accordance with the circular instructions | Action will be taken in future |
| (d) | Circular No. 1980/46 of 31 December 1980 of the commissioner of Local Government | The value of 563 shops which had been rented by the Sabha, had not been assessed once in 05 years | The related activities should be conducted in accordance with the circular instructions | Action is being taken to assess the value of the relevant outlets |

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. 60,974,078 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 93,183,576.

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	2018				2017			
	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.
Rent and Taxes	23,235,000	27,138,140	26,003,881	1,134,259	26,405,000	26,405,000	21,163,827	12,561,003
Rent	30,162,000	48,900,730	40,360,002	8,540,728	33,032,000	33,032,000	22,965,516	28,147,202
License Fee	8,314,000	9,812,705	9,812,705		7,810,000	7,810,000	7,957,957	(147,957)
Other Revenue	28,991,000	51,701,653	40,783,444	10,918,209	19,019,000	19,019,000	25,551,453	(4,199,645)
Total	90,702,000	137,553,228	116,960,032	20,593,196	86,266,000	86,266,000	77,638,753	36,360,603

2.2.2 Performance in collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Assessed revenue of Rs. 20,593,196 which is 15 percent of the total assessed value of Rs. 137,553,228 was not collected in the year under review	Recovery of arrears of revenue should be intensified	A plan has been created to collect the total arrears in 2019
(b) Income arrears of Rs.10,726,995, deficit of capital aid Rs.2,647,126 , Other income Rs.109,015,417 as aggregated.Rs.122,389,538 which were since over one year had not been collected in the year under riviw.	Recovery of arrears of revenue should be intensified	Action will be taken promptly in order to recover the arrears

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
Out of the total assessed tax value of Rs. 27,138,140 as at 31 December of the year under review, Rs. 1,134,259 had not been collected	Recovery of court fee arrears should be intensified	Action will be taken to recover arrears

2.2.4 Recovery of Arrears of Avenue

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Out of the total assessed rental revenue of Rs. 48,900,730 of the year under review, Rs. 8,540,728 had not been collected	Recovery of arrears of revenue should be intensified	A plan has been created to collect the total arrears in 2019
(b) Out of the total assessed other revenue of Rs. 51,701,653 of the year under review, Rs. 10,918,209 had not been collected	Recovery of arrears of revenue should be intensified	A plan has been created to collect the total arrears in 2019

2.2.5 Stamp Fees

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Stamp fee of Rs. 7,827,500 was due as at 31 December of the year under review	Recovery of stamp fee arrears should be intensified.	Rs. 3,909,000 has been recovered from the arrears of stamp duty revenue in 2019 and action will be taken to recover the balance

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in term of section 4 of the municipal council ordinance Such as regulation and control of matters relating to public health ,common amenities and public highways ,healthy environment of the public facilities ,welfare etc.

(a) 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

(b) 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 conducted	An action plan will be conducted in 2019

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The "Kopiyawatta" property belonging to the Sabha had been given to 24 people with a long term tax basis since 1987 and the due arrears of Rs. 4,881,060 had not been recovered	Action should be taken to recover the amount owed to the Sabha	Steps are being taken to settle the arrears
(b) An expenditure credit balance of Rs. 5,235,916 and an Industrial balance of Rs. 5,660,412 which have been existing for over a year had not been settled in the year under review	Action should be taken to recover the arrears	The outstanding balances will be settled after obtaining funds

3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Non-approval of cadre		
As at 31 December of the year under review there was an excess of 10 cadres relating to 04 positions.	The excess cadre should be approved	Steps will be taken to approve the excess positions

(b) Staff vacancies ----- As at 31 December of the year under review, there were 76 vacancies relating 24 positions	Vacancies in the cadre should be filled	Steps will be taken to fill the vacancies
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3.4 Procurement

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

Audit Observation	Recommendation	Comments of the Accounting Officer
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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 Implementation of Audit and Management Committee

Audit Observation	Recommendation	Comments of the Accounting Officer
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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