

**Bandarawela Municipal Council**  
**Badulla District**

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**1. Financial Statements**

**1.1 Presentation of the Financial Statements**

The Financial Statements of the year 2019 had been presented to the audit on 12 March 2020, the summary report of the Auditor General on those financial statements and the detailed management report had been forwarded to the Mayor on 11 August 2020 and 19 August 2020 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effect of matters described in the Basis for 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 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**

**a) Accounting Deficiencies**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(i) The value of 50 plots of land of 54 acres, 1 rood and 13.58 perches had not been assessed and accounted.	All assets should be accounted correctly.	Action is being taken to assess and the value will be adjusted in accounts of the year 2020.
(ii) The value of a gully bowser belonging to the Municipal Council had not been stated in the financial statements.	It should be accounted correctly.	Action will be taken to correct in the next year.
(iii) The value of 06 vehicles belonging to the Municipal Council as at 31 December of the year under review had no been assessed and stated in the financial statements.	It should be accounted correctly.	Action will be taken to adjust in the next year.

**b) Lack of evidence for Audit**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>(i) Details related to Tender deposits amounting to Rs.11,076,130, Revenue deposits amounting to Rs. 15,220,915 and Contract deposits amounting to Rs.1,566,455 had not been presented to the audit.</p>	<p>-----</p> <p>Deposit Register should be properly maintained and detailed schedules should be presented with the accounts.</p>	<p>-----</p> <p>Copy of the Deposit register has been sent.</p>
<p>(ii) Documents confirming the outstanding loan balance amounting to Rs. 1,040,000 which had been obtained from the Local loans and development fund to purchase the gully bowser of the sabha had not been presented to the audit.</p>	<p>Documents confirming loan balance should be presented.</p>	<p>The balance of the loan has been obtained from the Loan register to the financial statements.</p>

**1.4 Non compliance**

**Non compliance with laws, rules, regulations and management decisions**

<b>Reference to laws, rules regulations and management decisions</b>	<b>Non compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>(a) <u>The Establishments code of the Democratic Socialist Republic of Sri Lanka</u> Section 4 of the chapter XXIV</p>	<p>-----</p> <p>Rs. 1,006,234 due from 13 employees who had left the service and Rs. 251,249 due from 4 retired employees had not been recovered.</p>	<p>-----</p> <p>Outstanding Loan balances should be recovered.</p>	<p>-----</p> <p>Action will be taken to recover the all outstanding loan balances.</p>
<p>(b) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u></p>	<p>(i) Financial Regulation 104</p>	<p>Preliminary reports and full reports regarding 02 vehicle accidents</p>	<p>Action should be taken in accordance with Financial</p> <p>There are lawsuits against one vehicle, and action has</p>

		during the year under review had not been submitted.	Regulations.	been taken on the final report regarding the other vehicle.
(ii)	Financial Regulation 396	Action had not been taken regarding 12 cheques amounting to Rs.26,083 that had not been presented for payment and exceeded 06 months from the date of issue.	Action should be taken in accordance with Financial Regulations.	Cheques issued but not presented for payment are being processed to credit to the revenue.
(iii)	Financial Regulation 571	Retentions amounting to Rs. 558,757 that had elapsed more than 02 years relating to 10 constructions had not been settled.	Action should be taken in accordance with Financial Regulations.	Action is being taken to identify payments by checking vouchers and written off from General deposit account, and deposits of previous years will be checked further and adjusted.
(c)	Circular No. 1980/46 dated 31 December 1980 of the commissioner of Local Government	Although the properties of the Municipal Council should be assessed once in 5 years, 770 shops had not been assessed in that way and had been charged rents.	Action should be taken in accordance with Financial Regulations.	Action will be taken to conduct a formal assessment and charged rents.

## **2 Financial Review**

### **2.1 Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Municipal Council for the year ended 31 December 2019 has been Rs. 81,593,369 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 60,974,078.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Presented information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue for the year under review and the preceding year are as follows.

Source of Revenue	2019				2018			
	Estimated Revenue	Revenue Billed	Revenue collected	Arrears as at 31December	Estimated Revenue	Revenue Billed	Revenue collected	Arrears as at 31December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i Rates and Taxes	24,947,000	31,297,352	20,036,759	11,260,593	23,235,000	27,138,140	26,003,881	1,134,259
ii Rents	31,439,000	42,118,242	29,487,998	12,630,244	30,162,000	48,900,730	40,360,002	8,540,728
iii License Fees	9,265,000	8,915,655	8,915,655	-	8,314,000	9,812,705	9,812,705	-
iv Other Revenue	229,133,000	11,908,357	208,035,652	-	28,991,000	51,701,653	40,783,444	10,918,209
Total	294,784,000	94,239,606	266,476,064	23,890,837	90,702,000	137,553,228	116,960,032	20,593,196

### 2.2.2 Performance in Revenue Collection

#### Audit observation

Arrears of rates amounting to Rs.11,705,360 and Arrears of other revenue amounting to Rs.127,232,756 that had elapsed more than a year had not been recovered.

#### Recommendation

Arrears of revenue should be recovered.

#### Comments of the Accounting Officer

A part of arrears of rates has been recovered and legal action will be taken to recover the remaining arrears.

### 2.2.3 Court Fines and Stamp Fees

#### Audit observation

Arrears of Court fines amounting to Rs. 1,083,558 and arrears of Stamp fees amounting to Rs. 11,010,300 due as at 31 December of the year under review had not been recovered.

#### Recommendation

Arrears of Court fines and arrears of Stamp fees should be recovered.

#### Comments of the Accounting Officer

It has been informed to settle these amounts.

#### 2.2.4 Rates and Taxes

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- The total arrears of Rates and taxes as at 31 December of the year under review had been Rs. 19,682,211.	----- Arrears of revenue should be recovered.	----- A part of arrears of rates has been recovered and legal action will be taken to recover the remaining arrears.

#### 2.2.5 Rent Income

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- The total arrears of Rents as at 31 December of the year under review had been Rs. 29,183,800.	----- Arrears of rents should be recovered.	----- A part of arrears of rents has been recovered and legal action will be taken to recover the remaining arrears.

### 3 Operating Review

#### 3.1.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Municipal Council in terms of Section 4 of the Municipal Councils Ordinance, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities and welfare.

##### (a) Action Plan

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Although an action plan had been prepared for the year under review, It had not included activities related to the improvement and repair of public roads.	----- A formal Action plan should be prepared.	----- Action will be taken to prepare an action plan including detailed information from the year 2020.

**(b) Sustainable Development Goals**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Although there was awareness with regard to “Sustainable Development Agenda-2030” of the United nations, Indexes for measuring sustainable objectives and goals which could be applied to the Municipal Council had not been identified.	----- Indexes for measuring sustainable objectives and goals should be identified, and progress in reaching those should be measured accordingly.	----- Indexes for measuring sustainable objectives and goals have been identified and action has been taken accordingly.

**3.2 Management Inefficiencies**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Agreements had not been reached on the lease of 06 shops in the Commercial Center and the Free Trade Complex.	Action should be taken to reach agreements on the lease of shops.	Relevant files will be checked and agreements will be reached.
(b) The arrears of Rs. 255,667 due from the lessee who operated the public toilet had not been recovered.	Arrears of taxes should be recovered.	Deposit of the lessee will be settled for the arrears.
(c) Action had not been taken regarding a deficit of Rs. 37,144 in 12 stock items and an excess of Rs. 43,985 in 9 stock items.	Proper stock control should be maintained.	Action will be taken to adjust in the next year.
(d) Necessary action had not been taken regarding 18 items of auto parts, water accessories and electrical equipment valued at Rs. 238,156 which had been kept in stores for more than 2 years without any movement.	The requirement should be identified and purchases should be made.	It is essential to have the necessary equipment in stock for an emergency.

### 3.3 Human Resource Management

<b>Audit observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) As at 31 December of the year under review, There have been 09 excess employees in 05 positions and 68 vacancies in 22 positions.	Staff should be formalized.	Action will be taken to obtain the approval for the excess cadre. The Chief Secretary of the Uva Province and the Public Service Commission have been informed regarding the vacancies. Approval has been requested to grant appointments that appointing authority is the Municipal Commissioner.
(b) 17 health and other laborers had been recruited and paid salaries amounting to Rs. 549,474 without the permission of the Management Services Department according to the Public Administration Circular No. 25/2014 dated 12 November 2014.	Action should be taken in accordance with the guidelines of the circular	Approval has been granted by the Deputy Chief Secretary (Personal and Training) of the Uva Province to fill the vacancies in the approved cadre.

### 3.4 Idle Assets

<b>Audit observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
There were 21 obsolete vehicles belonging to the Municipal Council.	Action should be taken to repair and put to use or disposal.	Only unusable vehicles have not been sent for repairs.

### 3.5 Annual Survey of Stores

<b>Audit observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
According to the report of Board of Survey for the year under review, there has been a deficit of 505 units in 10 items of good for which value has not been mentioned, there have been 219 units in 27 items that have not been included in inventory.	Necessary action should be taken regarding deficiencies and excess.	The report of Board of Survey for the year under review had been received after preparing the account and not included in the financial statements. Action will be taken to adjust in the next year.

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

##### **4.1 Audit and Management Committee**

###### **Audit observation**

###### **Recommendation**

###### **Comments of the Accounting Officer**

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Audit and Management  
Committee meetings had not  
been held in the year under  
review.

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Audit and Management  
Committee meetings  
should be held at least  
once in a quarter.

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Audit and Management  
Committee meetings had  
not been held.