

**Bandarawela Pradeshiya Sabha
Badulla District**

1. Financial Statements

1.1 Presentation of the Financial Statements

The Financial Statements of the year 2019 had been presented to the audit on 18 February 2020, the summary report of the Auditor General on those financial statements and the detailed management report had been forwarded to the Chairman on 15 June 2020 and 17 June 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 Pradeshiya Sabha as at 31 December 2019, and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3.1 Basis for Qualified Opinion

a) Accounting Deficiencies

Audit observation	Recommendation	Comments of the Accounting Officer
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(i) Although the stamp fees for the year under review had been Rs. 14,845,437, It had been stated as Rs. 15,228,052.	It should be accounted correctly.	Action will be taken to correct.
(ii) Although the court fines for the year under review had been Rs. 3,584,225, It had been stated as Rs. 3,624,237.	It should be accounted correctly.	Action will be taken to correct.
(iii) Although the Fixed deposit interest for the year under review had been Rs. 1,717,276, It had been stated as Rs. 2,235,097.	It should be accounted correctly.	Action will be taken to correct.
(iv) Although the arrears of interest income at the end of the year under review had been Rs. 379,074, It had been stated as Rs. 451,465.	It should be accounted correctly.	Action will be taken to correct.
(v) 86 units of 16 types of good worth of Rs. 1,235,216 that should have been classified under the Fixed assets had been classified under the stocks in Current assets.	It should be accounted correctly.	Action will be taken to correct.

- (vi) Advance paid for the constructions during the year under review amounting to Rs. 500,000 had not been accounted in the capital expenditure although the relevant constructions had been completed, because of that the capital expenditure had been understated by Rs. 500,000.
- It should be accounted correctly.
- Action will be taken to correct.

b) Lack of evidence for Audit

Audit observation	Recommendation	Comments of the Accounting Officer
----- Title deeds, plans, transfer orders and detailed schedules related to Land & Building amounting to Rs. 8,754,170 had not been presented to the audit.	----- Required evidence should be presented for the verification.	----- All lands and buildings of the Sabha were not acquired in a proper procedure, and recording correct values in registers were not able due to delays in the annual valuation process. This problem can be solved on the responses of relevant parties.

1.4 Non compliance

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

Reference to laws, rules regulations and management decisions	Non compliance	Recommendation	Comments of the Accounting Officer
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(a) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u>			
(i) Financial Regulation 396	Action had not been taken regarding 11 cheques amounting to Rs. 35,470 that had not been presented to the bank over 06 months.	Action should be taken in accordance with Financial Regulations.	Not commented.
(ii) Financial Regulation 571(3)	23 General deposits amounting to Rs. 3,321,527 that had elapsed 2 years from the deposit date had not been settled.	Action should be taken in accordance with Financial Regulations.	Not commented.

2 Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2019 has been Rs. 12,746,035 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 13,342,374.

2.2 Financial Control

Audit observation

Recommendation

Comments of the Accounting Officer

Unrealized adjustments to the cash book amounting to Rs.59,635 and bank charges amounting to Rs. 47,430 that had been stated in bank reconciliations for more than one year had not been identified and adjusted, and information regarding that had not been presented to the audit.

Items to be adjusted that have been stated in bank reconciliations should be adjusted to the relevant accounts, and details confirming balances of bank accounts should be presented to the audit.

Not commented.

2.3 Revenue Administration

2.3.1 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.

	<u>2019</u>				<u>2018</u>			
Source of Revenue	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	282,000	538,830	535,981	2,849	274,000	274,000	458,492	860,060
ii. License Fee	450,000	450,000	430,150	19,850	500,000	500,000	449,650	50,350
iii. Other Revenue	15,230,000	14,973,170	7,708,540	7,264,630	6,400,000	6,400,000	17,589,104	4,255,271
Total	<u>15,962,000</u>	<u>15,962,000</u>	<u>8,674,671</u>	<u>7,287,329</u>	<u>7,174,000</u>	<u>7,174,000</u>	<u>18,497,246</u>	<u>5,165,681</u>

2.3.2 Performance in Revenue Collection

Audit observation	Recommendation	Comments of the Accounting Officer
----- Arrears of revenue amounting to Rs. 37,684,507 that had elapsed more than two years had not been recovered.	----- Arrears of revenue should be recovered.	----- Not commented.

2.3.3 Court Fines and Stamp Fees

Audit observation	Recommendation	Comments of the Accounting Officer
----- Arrears of Court fines amounting to Rs. 2,836,128 and arrears of Stamp fees amounting to Rs. 25,119,722 due as at 31 December of the year under review had not been recovered.	----- Arrears of Court fines and arrears of Stamp fees should be recovered.	----- Although all the schedules had been sent to the department of local government, there is a delay in release of money.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, 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) By-laws

Audit observation	Recommendation	Comments of the Accounting Officer
----- Although by-laws should be imposed for 30 purposes under section 126 of the Pradeshiya Sabha Act, by-laws have not been imposed for 7 purposes as at 31 December of the year under review.	----- By-laws should be imposed for the purposes that by-laws have not been imposed yet.	----- Not commented.

(b) Sustainable Development Goals

Audit observation	Recommendation	Comments of the Accounting Officer
----- 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 Sabha had not been identified.	----- Indexes for measuring sustainable objectives and goals should be identified, and progress in reaching those should be measured accordingly.	----- Not commented.

3.2 Management Inefficiencies

Audit observation	Recommendation	Comments of the Accounting Officer
----- The creditors amounting to Rs. 9,517,239 that had elapsed more than two years had not been settled.	----- Action should be taken to settle.	----- Not commented.

3.3 Human Resource Management

Audit observation	Recommendation	Comments of the Accounting Officer
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(a) There have been 3 vacancies in 3 positions as at 31 December of the year under review.	Essential vacancies should be filled.	Although action had not been taken to fill the vacancies, Covering the duties of Management assistant and office assistant positions had been assigned to other officers.
(b) According to the Section 1.6 and 4 of chapter XXIV of the Establishments code of the Democratic Socialist Republic Of Sri Lanka, Rs. 503,857 due from 5 officers who transferred, retired and left the service had not been recovered.	Outstanding loans should be recovered.	Not commented.

4 Accountability and Good Governance

4.1 Audit and Management Committee

Audit observation	Recommendation	Comments of the Accounting Officer
----- Only 01 Audit and Management Committee meeting had been held in the year under review.	----- Audit and Management Committee meetings should be held at least once in a quarter.	----- Action will be taken to conduct Audit and Management Committee meetings once in a quarter after discussing with Internal audit unit.

4.2 Internal Audit

Audit observation	Recommendation	Comments of the Accounting Officer
----- An internal audit had not been conducted in the year under review.	----- An internal audit should be conducted.	----- Not commented.