

Bandarawela Pradeshiya Sabha – 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Bandarawela Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, Statement of Net Assets Changes, Cash Flow Statement and notes to the financial statements including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, the sub section 172(1) of Pradeshiya Sabha Act No. 15 of 1987. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 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 2024, and of its financial performance for the year then ended in accordance with generally accepted accounting practices.

1.2 Basis for Qualified Opinion

I expressed qualified opinion regarding financial statement on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with generally accepted accounting practices, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the pradeshiya sabha financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the pradeshiya sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following,

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the pradeshiya sabha, and whether such systems, procedures, books, records and other documents are in effective operation,
- Whether the pradeshiya sabha has complied with applicable written law, or other general or special directions issued by the governing body of the pradeshiya sabha
- Whether it has performed according to its powers, functions and duties, and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

National Audit Act, No. 19 of 2018 include specific provisions for following requirements.

- (a) The financial statements of the pradeshiya sabha presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented includes all the recommendations made by me in the previous year of this report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The value of the tube well, which had been constructed at a cost of Rs. 1,716,683, had not been capitalized.	Accept. That the accounts will be corrected.	Accounts must be prepared correctly.
(b) The value of assets acquired during the year under review amounting to Rs. 662,341 had not been capitalized.	-Do-	-Do-

1.7 Non- Compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions etc as follows.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
Section 149 of the Pradeshiya Sabha Act No. 15 of 1987 and the Tourism Development Act No. 17 of 1968	By-laws had not been adopted and steps had not been taken to collect revenue correctly from businesses registered under the Tourism Development Act in the jurisdiction.	Letters have been sent to hotel owners informing them to charge 1 percent of the income of hotels registered with the Tourism Board.	Bylaws should be prepared and the revenue due to the council should be collected correctly.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 19,053,591 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 27,806,732 in the preceding year.

2.2 Revenue Administration

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

According to the information submitted by the Council Secretary, the estimated revenue, billed revenue, collected revenue and arrears of revenue submitted for the year under review and the previous year are shown below.

<u>2024</u>					<u>2023</u>				
Source of income	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.	Rs.
(i) Rates and Taxes	739,030	838,445	454,674	1,044,890	604,950	665,800	541,992	846,636	
(ii) Rent	410,000	396,500	352,500	44,000	216,000	5,592,310	5,592,310	-	
(iii) License fees	506,000	468,809	468,809	-	350,000	423,750	423,750	-	
(iv) Other Revenue	3,231,400	6,471,348	1,102,967	5,368,381	2,352,500	7,681,471	1,081,539	6,599,932	
Total	<u>4,886,430</u>	<u>8,175,102</u>	<u>2,378,950</u>	<u>6,457,271</u>	<u>3,523,450</u>	<u>14,363,331</u>	<u>7,639,591</u>	<u>7,446,568</u>	

2.2.2 Performance in Revenue Collection

Audit Observation

No other appropriate action had been taken to recover the water charges of Rs. 480,055 due from the inactive water projects since 2018.

Comments of the Council

Customers will be informed to recover the outstanding amount due.

Recommendation

Arrears of revenue should be collected.

2.2.3 Court fines and Stamp duty

Audit Observation

Court fines of Rs. 25,739,634 and stamp duty of Rs. 22,947,385 which were due to be received from the Chief Secretary of the Provincial Council and other authorities as at 31st December of the year under review had not been collected.

Comments of the Council

All sub documents received by the institution for arrears of court fines and stamp duties have been forwarded to the institutions that are required to release the relevant funds.

Recommendation

Court fines and stamp duty revenues should be collected promptly.

3. Operational Review

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

Audit Observation	Comments of the Council	Recommendation
A balance of Rs. 50,408,482 had been retained in fixed deposits as of December 31st of the year under review without making any provision in the budget for the performance of the powers and functions vested in the Council.	No comments.	Funds should be used effectively.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
Formal valuation reports had not been obtained for 03 asset items with a total value of Rs. 182,583,636, and the fixed asset register had not been updated.	A temporary valuation committee will be formed to accurately identify and value the relevant assets, and a recommendation will be made to the upcoming Audit and Management Committee, which will then make corrections in the 2025 financial year.	Evidence must be submitted to the audit regarding the balances shown in the financial statements.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
149 street lights maintained in the Pradeshiya Sabha area were inoperative.	So far, 36 street lights out of 185 inoperative lights have been repaired.	Street lights should be maintained regularly.

3.4 Idle or underutilized Property, Plant and Equipment

	Audit Observation	Comments of the Council	Recommendation
(a)	The Bandarawela Heeloya Pradeshiya Sabha building, library, weekly market and toilet system, which were completed in 2016 by the Ministry of Provincial Councils and Local Government in conjunction with the Pura Neguma Project at a cost of Rs. 400 million under the financial support of the Asian Development Fund, were still in an underutilized condition by the end of the year under review.	A portion of the upper floor is reserved for the library and is used by local residents and children from Bandarawela Central College, Dharmashoka College, and Heeloya College. A portion of the lower floor is used as a communication center. It is also being used as a lodging facility for local and foreign tourists.	Financial grants must be used effectively and assets must be used efficiently.
(b)	2 container boxes purchased in June 2023 for waste management activities at a cost of Rs. 3,975,000 under the Local Development Support Project were still lying idle at the Heeloya Sub-district Office premises and the Amunudowa Sports Ground as of March 4, 2025, the date of the audit.	If there is a need for another local government institution, steps will be taken to transfer the property at the price obtained without causing a loss to the council fund, or to lease it to another local government institution by following the tender procedure again.	Idle assets should be used to generate income quickly.

3.5 Management of Vehicle fleet

Audit Observation	Comments of the Council	Recommendation
410 liters of fuel worth Rs. 126,250 and 10 liters of engine oil worth Rs. 18,970, used as per fuel orders for the council's backhoe loader from January 2023 to December 2024, were not included in the daily running logs.	Out of 10 liters of engine oil, 05 liters have been used in the machine from time to time. The rest is in the warehouse. The fuel obtained from order number 854548 has been included in the running chart without the order number. The heavy machinery operator has been informed to pay the amount of Rs. 37,350 due for the 110 liters of fuel that was not included in the running chart.	An investigation into fuel misuse should be conducted and its recommendations implemented.

4. Accountability and Good Governance

Budgetary Control

Audit Observation	Comments of the Council	Recommendation
When compared to the estimated revenues as per the budget prepared by the Pradeshiya Sabha for the year under review, there were fluctuations ranging from 15 percent to 77 percent in 05 revenue items and fluctuations ranging from 20 percent to 67 percent in 04 expenditure items.	No comments.	The budget should be used as an effective control tool.