

Bandarawela Municipal Council

Badulla District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 13 March 2013 and the financial statements for the preceding 9 months period had been presented for audit on 27 February 2012. The report of the Auditor General for the year under review was furnished to the Mayor of the Council on 05 July 2013.

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Bandarawela Municipal Council had maintained proper accounting records for the year ended 31 December 2012 and except, for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Bandarawela Municipal Council as at 31 December 2012 and the financial results of its operations and the cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

As provision had been made under the creditors for the estimated/ agreement money relating to 11 works for which bills had not been issued by 31 December of the year under review, the creditors had been overstated by a sum of Rs.5,672,080 in the financial Statements.

1.3.2 Lack of Evidence for Audit

Transaction totalling Rs.56,149,528 could not be satisfactorily vouched in audit due to the non-submission of the required information to audit.

2. Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2012 amounted to Rs.25,916,818 as compared with the corresponding excess of revenue over recurrent expenditure amounting to Rs.19,705,742 for the preceding 9 months.

2:2 Revenue Administration

2:2:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, the actual revenue and the arrears of revenue for the year under review presented by the Chairman is given below.

Source of Revenue	Estimated Revenue	Actual	Cumulative Arrears as at 31 December
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	5 V ¶	5 V ¶	5 V ¶
(i) Rates and Taxes	23,338	20,113	4,811
(ii) Lease Rents	24,403	30,819	76,229
(iii) Licence Fees	4,730	4,439	
(iv) Other Revenue	52,076	67,389	

2.2.2 Court Fines and Stamp Fees

The court fines receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and the other authorities amounted to Rs.426,446.

2.2.3 Lease Rent from Fair

In the assessment of the lease rent on the Bandarawela Wholesale Fair for the year under review, the assessment had been done by adding 10 per cent to the bid of the lowest bidder for the preceding year instead of considering the amount of the bid award of the preceding year as the lowest bid. As such the minimum loss caused to the Council Fund amounted to Rs.1,600,000.

2.3 Idle and Underutilized Physical Resources

Action had not been taken either to repair and use 04 items of unused assets valued at Rs.3,035,266 or for the disposal of the assets.

2.4 Operating Inefficiencies

- (a.) Contrary to the provisions in the Circular No.1980/46 dated 31 December 1980 of the Commissioner of Local Government, advance amounting to Rs.4,200,000 had been obtained from 15 stall holders in the year 2009, 2010, and 2011 on the basis of allocation of trade stalls after the construction of the new Bus Stand and retained in the Deposits Account.
- (b.) Rent at the assessment made in the year 2006 is recovered from the occupants of the official quarters belonging to the Council. Action had not been taken for the recovery of rent in terms of Section 5 of Chapter xix of the Establishments Code.
- (c.) Action had not been taken to assess the value of the shortage 418 units of goods of the 17 categories revealed at the Annual Board of Survey conducted for the year 2012 and recover from the parties responsible.

3 Systems and Controls

Special attention is drawn to the following areas of systems and controls.

- (a.) Accounting
- (b.) Stores Control