

Bandarawela Pradeshiya Sabha  
Badulla District

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1. Financial Statements

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1.1 Presentation of Financial Statements

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The Financial Statements for the year 2017 had been submitted for the audit on 28 March 2018 and the report of the Auditor General had been sent to the Chairman on 30 August 2018.

1.2 Qualified Opinion

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In my opinion except for the effect on the matters described in paragraph 1.3 of this report, Financial Statements give a true and fair view of the financial position of the Bandarawela Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

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1.3.1 Accounting Deficiencies

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- a) Fixed deposit interest amounting to Rs.46,387 had been understated in the preceding year as such the balance of fixed deposits and Accumulated fund was understated in that amount in the year under review.
- b) Fixed deposit interest amounting Rs.523,780 had been accounted as Rs.578,780 in the year under review as such the value of interest income had been understated by Rs.55,000.
- c) Employee Security Deposits amounting to Rs.41,851 of the preceding years had not been accounted under Current Liabilities as such the value of the Current Liabilities had been understated by that amount.
- d) Total work creditors shown in the schedules had been overstated by an amount of Rs.55,473 as such the value of current liabilities had been overstated by that amount.

1.3.2 Unreconciled Accounts

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An Un-reconciled amount of Rs.5,268,070 was observed between the Financial Statements balances and the schedules of Employee Loans and Work Loans as at 31 December of the year under review.

### 1.3.3 Accounts Payable and Receivable

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#### a) Accounts Receivable

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At the end of the year under review accounts receivable balances amounting to Rs.30,466,605 including assessment tax due from one year amounting to Rs.890,892, capital receipts due from two years amounting to Rs.16,244,643 and miscellaneous Income due from two years amounting to Rs.12,331,070.

#### b) Accounts Payable

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As at 31 December of the year under review Accounts payable amounting to Rs.21,977,984 including expenditure creditors payable from three years amounting to Rs.21,759,556, work creditors payable from 03 years amounting to Rs.218,428 and those creditors had not been settled during the year under review.

### 1.3.4 Lack of documentary Evidence for Audit

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Due to the absence of deeds, transfer orders and evidence confirming the ownership of Land and Building transactions and Fixed Asset Registers amounting to Rs.8,754,170 could not be satisfactorily vouched for in audit.

### 1.3.5 Non-compliance

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#### 1.3.5.1 Noncompliance with Laws, Rules, Regulations and Management Decisions

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Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are shown below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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	Rs.	
a. Section 132(g) of the Pradeshiya Sabha Act No.15 of 1987.	49,850	Expenditure had been made from the Council funds to purchase sports equipment without getting the approval of the Minister in charge of the subject.
b. Urban Development Authority Act No.48 of 1978 and order 67 of the Gazette No.392/9, dated 10 March 1986		Although 229 building applications had been issued from years 2012 to 31 December 2015 yet only 30 certificates of compliance had been issued.

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|-----|---|---------|---|
| c.  | Rule 218 of 1988 Pradeshiya Sabha (Financial and Administration) Rule                             |         | Although Land and Building should be verified annually, such verification had not been done yet.  |
| d.  | Paragraph 4:6 of chapter xxiv of Establishment Code of Democratic Socialist Republic of Sri Lanka | 276,243 | Action had not been taken to recover arrears of loan balances even at 31 December 2017 from 05 officers who are either deceased, left service, and interdicted.                   |
| e.  | Financial Regulations of the Democratic Socialist Republic of Sri Lanka                           |         |   |
| i.  | Financial Regulations 189 and 486   | 15,400  | Action had not been taken regarding a dishonored cheque of the preceding year.  |
| ii. | Financial Regulations 571   | 138,797 | Action had not been taken to settle 11 deposits exceeding 2 years.  |
| f.  | Public Financial Circular No. PF/437 dated 18 September 2009                                      | 367,435 | Although when insuring a vehicle, it should be done directly through National Insurance Trust or Sri Lanka Insurance Corporation LTD, yet had done so through an Insurance agent. |

## 2. Financial Review

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### 2.1 Financial Results

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According to the Financial Statements presented, surplus of revenue over recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs.15,306,215 and the corresponding surplus of revenue over recurrent expenditure for the preceding year amounted to Rs.10,002,361.

### 2.2 Revenue Administration

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

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The details of the Estimated Income, Billed Income, Collected Income and Arrears of Income for the year under review and the preceding year are stated below.

Source of Income	2017				2016			
	Estimated Income	Billed Income	Collected Income	Arrears as at 31 December	Estimated income	Billed Income	Collected Income	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	287,200	287,200	353,523	890,892	425,200	425,200	248,506	729,945
(ii) License fees	290,000	290,000	450,223	-	290,000	290,000	389,400	-
(iii) Other Income	13,999,200	13,999,200	19,162,117	6,266,642	1,161,115	14,161,115	14,151,616	9,448,148
<b>Total</b>	<b>14,576,400</b>	<b>14,576,400</b>	<b>19,965,863</b>	<b>17,157,534</b>	<b>14,876,315</b>	<b>14,876,315</b>	<b>14,789,522</b>	<b>10,178,093</b>

### 2.2.2 Performance in Revenue Collection

The total Billed Revenue for the year ended 31 December 2017 amounted to Rs.14.6 million while Collected Revenue amounted to Rs. 20.0 million. However arrears revenue amounted to Rs. 17.1 million to be recovered and in comparison to the preceding year the arrears of revenue collection was decreased by 68.5 percent.

### 2.2.3 Court Fines and Stamp fees

Action had not been taken to recover Court Fines and Stamp fees amounting to Rs.9,619,985 and Rs.2,669,085 respectively from the Provincial Council.

## 3. Operational Review

### 3.1 Performance

It was revealed after the analyzing the execution of activities by the Pradeshiya Sabha in accordance with Section 3 of Pradeshiya Sabha Act such as regulation of health of the public, common utility services and public road facilities and maintenance of people's prosperity, welfare and development are given below.

#### a) Action Plan

An action plan had not been made by the Council in the year under review for the actions to be done by the Council according to the bylaws.

#### b) Sustainable Development Goals

Due to the Council not being aware of 2030 agenda of Sustainable Development Goals, the global view of such purposes to enhance the living standards and health of the people living in the Council area of authority had not been initiated Up to year 2018.

### 3.2 Management Inefficiencies

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Stocks were not been purchased in accordance with the estimate for three direct construction, and as such there was an excess of stocks valuing Rs.189,210.

### 3.3 Human Resource Management

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There were 03 vacancies and 06 excess cadre of the Council as at 31 December 2017.

### 3.4 Procurement

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#### 3.4.1 Procurement Plan

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A procurement plan for the year under review had not been prepared.

#### 3.4.2 Supplies and Services

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Market Shopping Bid System was used by the Bandarawela Pradeshiya Sabha for purchasing valued at Rs.1,797,994 for the period of January to December of the year 2017. The following were revealed in the examination of the above.

- a) Quotation letters were not sent through registered post and were delivered by hand and a Register was not maintained for the hand delivery.
- b) In terms of Section 3.4.3(a)(ii) of the Procurement Guidelines, suppliers had not been required to buy lesser valued goods.

## 4. Accountability and Good Governance

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### 4.1 Budgetary Control

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It was observed that there was a considerable variation in the budgeted revenue and expenditure for the year under review with the actual revenue and expenditure and that a variation range of 54 per cent to 765 per cent was observed in 06 of the items of income and a variation range of 31 per cent to 296 percent was observed in 05 of the items of expenditure as such indicating that the budget had not been used as an effective tool of management control.

### 4.2 Internal Audit

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An internal audit had not been conducted during the year under review regarding the Padeshiya Sabha.

## 05. System and Control

Weaknesses observed when audit had been informed to the Council time to time and special attention is needed in the following areas of control.

System -----	Weaknesses -----
A. Internal Control	Segregation of duties and responsibilities had not been done among the officers of the Council.
B. Stock Control	<ul style="list-style-type: none"> <li>i. Stock Registers regarding the inventory were not maintained properly.</li> <li>ii. Inventory was not arranged in a way such that the legibility of the stock could be checked instantaneously.</li> <li>iii. Good Receive Notes and Material Requisition Notes were not properly maintained on purchasing and issuing of goods from the stores for various works.</li> <li>iv. Goods issued to various works and unions were stocks in the stores.</li> </ul>