

**Balangoda Urban Council**

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**Ratnapura District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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Financial Statements for the year under review had been submitted to Audit on 30 March 2015 while Financial Statements relating to the preceding year had been submitted on 01 April 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Council on 29 June 2015.

**1.2 Opinion**

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I am of opinion that except for the effect on the financial statements of the matters referred to in paragraph 1.3 of this report, that the financial statements had been prepared in accordance with Si Lanka Public Sector Accounting Standards and give a true and fair view of the financial position of the Balangoda Urban Council as at 31 December 2014 and financial results of its operation and cash flow for the year then ended.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Deficiencies**

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The Loan of Rs. 8,815,586 received from the Local Loans and Development Fund on 31 December 2004 to repair the rain water disposal drainage system of the Balangoda City and the interest payable for that amounting to Rs. 7,228,781 had not been disclosed in the final accounts.

### **1.3.2 Un-reconciled accounts**

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Although the balance of the Stock in Hand according to the Board Survey Report as at 31 December 2014 was Rs. 1,771,399, according to the final accounts, it had been Rs.611,727. Accordingly, there had been a difference of Rs. 1,159,672.

### **1.3.3 Accounts Receivable and Payable**

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Following observations are made.

- (a.) Nation Building Tax amounting to Rs.1,206,874 to be remitted to the Commissioner General of Inland Revenue had not been paid.
  
- (b.) Action had not been taken to recover Machine Hire Charges amounting to Rs.93,133.

### **1.3.4 Bank Accounts**

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Following observations are made.

- (a.) There were non-settled balances totalling Rs.3,923,114 continuously in the bank reconciliation statements prepared relevant to 05 bank accounts.
  
- (b.) Action in terms of Financial Regulation 189 and 486 of the Republic of Sri Lanka had not been taken with regard to 20 cheques valued at Rs. 846,494, dishonored after depositing, according to the bank reconciliations statements as at 31 December 2014.
  
- (c.) Action in terms of Financial Regulation 396 (d) had not been taken with regard to 32 cheques valued at Rs.1,193,433 issued , but not presented for payment more than 06 months from the date of issue, according to the bank reconciliations statements as at 31 December 2014.

### **1.3.5 Non-compliance with laws, rules, regulations etc.**

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Computers and Accessories valued at Rs.922,750 purchased during the year under review and the preceding year and Computer Accessories valued at Rs. 54,125 received as donations during the year 2014 had not been recorded in the Register of Computers and Computer Accessories Register in terms of provisions in the Treasury Circular No. IAI/2002/02 dated 28 November 2002.

## **2. Financial Review**

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### **2.1 Financial Results**

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According to the Financial Statements presented, excess of recurrent expenditure over revenue for the year ended 31 December 2014 amounted to Rs.7,159,897, as compared with the corresponding excess of recurrent expenditure over revenue for the preceding year amounted to Rs.7,207,355, showing an improvement of Rs. 47,458 in the financial results for the year under review.

### **2.2 Analytical Financial Review**

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Increases in respect of revenue on account of Rates and Taxes by 771,390, Revenue Grants by Rs.7,931,089, Other Revenue by Rs. 2,966,800 and Warrant Charges and Fines by Rs.168,244 and decreases in respect of travelling expenses, transport and Communications, Utilities and Other Services, Interest, Dividends and Bonus Payments totalling Rs. 1,722,535 during the year under review when compared with the preceding year had been the main reasons for improvement in above financial results.

## 2.3 Revenue Administration

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### 2.3.1 Performance in Revenue Collection

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An analysis relating to estimated revenue and arrears of revenue submitted for the year under review is shown below.

Source of Income	Estimated Revenue	Actual Receipts for 2014 and Previous Years	Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	6,800	7,225	860
Lease Rent	8,201	7,537	1,316
<u>Other Revenue</u>			
Lease Rent Properties belong to the Council (3.0.324)	64	51	64
Rest house Charges	16,000	15,433	566
Stall Rent Opened Trading Places (3.0.322.1)	1,398	1,438	140
Pavement Stalls (5.0.323.1)	4,165	4,278	127

### 2.3.2 Court Fines and Stamp Fees

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- (a.) While action had not been taken to compute and recover Court Fines Receivable for the period from 01 August 2014 to 31 December 2014 from the Commissioner of Local Government, out of the Court Fines Receivable for the period from 01 April 2012 to 30 July 2014, a sum of Rs. 647,244 had not been recovered.
- (b.) Action had not been taken to compute and recover Stamp Fees Receivable for the period from 01 April 2014 to 31 December 2014 from the Commissioner of Local Government.

### **3. Systems and Controls**

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Special attention is needed in the following areas of controls.

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Revenue Administration
- (d.) Utilization of Provisions