

**Boralasgamuwa Urban Council**  
**Colombo District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial statements for the year 2016 had been submitted on 21 March 2017 while financial statements for the preceding year had been submitted on 31 March 2016. The report of the Auditor General for the year 2016 was issued to the secretary on 29 September 2017.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Boralasgamuwa Urban Council as at 31 December 2016 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

The following observations are made.

- (a) The stamp Fees received in the year 2016 from the Department of Local Government relating to the years 2013 and 2014 were Rs.2,100,625 and Rs.25,608,073 respectively. The said income had been taken in to account under other income considering as the income for the year under review and as a result other income had ben overstated by Rs.27,708,698.
- (b) The value of 16 items of Rs. 147,186 including electrical goods, vehicle spare parts and forms had not been taken in to final accounts.
- (c) The value of 21 items of Rs.209,502 had been overstated and the value of 11 items of Rs.116,246 had been understated in the financial statements.

**1.3.2 Non Reconciled Control Accounts**

- (a) When comparing with relevant registers and records a difference of Rs.1,645,000 had been observed in the balances of 02 items shown in the financial statements.
- (b) According to the financial statements, the payment of deposits as at 31 December 2016 was Rs. 5,464,148 whilst according to the deposit register, the total of the payment made during the year was Rs.5,436,573 thus a difference of Rs. 27,575 was observed.

**1.3.3 Accounts Receivable**

- (a) The balance of receivable revenue of license amounting to Rs.56,700 had been brought forward from the year 2011 without doing any changes.

- (b) Out of the total outstanding balance of staff loans as at 31 December 2016 amounting to Rs.10,737,028 , a sum of Rs.341,579 had been remained un settle from 11 employees. Out of that, a sum of Rs.200,034 had been remained un settle from 6 employees for 2 to 7 years and necessary actions had not been taken by the council to recover those balances.

#### **1.3.4 Lack of Evidence for Audit**

- (a) Stock ledgers had not been maintained properly during the year 2015 and evidence had not been furnished to audit to confirm the accuracy of the opening balances for the year 2016 comparing with the closing balances of the preceding year.
- (b) Schedules had not been furnished to audit to confirm the value of miscellaneous deposits of Rs.5,804,771 which had shown under the current liabilities of the balance sheet.

#### **1.3.5 Non-Compliance of Laws Rules and Regulations**

The following non-compliances of laws rules and regulations were observed.

##### **Reference to Laws Rules and Regulations**

##### **Non-compliance**

(a) **Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

(i) FR 110

A record of losses had not been maintained.

(ii) FR 104(2 ) and 1642

Reports had not been furnished to the Auditor General in connection with two vehicle accidents taken place in 2016

(iii) FR 104(3)(4)

The preliminary reports and full reports had not been prepared in connection with the accidents taken place in 2016.

(iv) FR 570 and 571

The value of 05 deposits of Rs.2,194,105 relating to the years 2011,2012 and 2013 had not been credited to the state revenue.

(v) FR 751 and Instructions for Stock Items in the Accounts Guideline of Municipal Council and Urban Councils

Stock ledgers had not been maintained for the stock items of the council.

(vi) FR 751 (4)

Stock ledgers had not been maintained in alphabetical order

(vii) FR1646

Running charts relating to 10 vehicles belong to the council had not been furnished to audit.

(viii) FR 1653

Milo meters of 09 vehicles of the council had been broken for a long period of time

**(b) Establishment Code of the Socialist Republic of Sri Lanka**

Section 3.5 and 3.17.2 of of the Chapter xxiv of the Establishment Code Although the limit of 40 per cent of the guarantor and the debtor had been exceeded, it had not been considered when granting loans.

**(c) Circulars**

Chapter 02 of the Public Administration Circular No 41/90 dated 10 October 1990. The fuel usage of 28 vehicles belong to the Council had not been examined in every 6 months.

(d) The Accounts Guideline of Municipal Council and Urban Councils Fixed assets register had not been maintained in respect of fixed assets valued at Rs.107,545,954

**2. Financial Review**

**2.1 Financial Results**

According to the financial statements presented the revenue for the year ended 31 December 2016, in excess of the in the recurrent expenditure of the council amounted to Rs. 28,029,078 whilst the revenue in excess of the recurrent expenditure of the previous year amounted to Rs. 20,627,381. Comparing with the previous year the financial result for the year under review had increased by Rs.7,401,697.

**2.2 Revenue Administration**

**2.2.1 Performance of Collecting Revenue**

The information on the actual revenue and revenue in arrears presented by the secretary in respect of the year under review and the preceding year are as follows.

Source of Revenue	2016				2015	
	Actual Sum to be Collected	Actual Sum Collected	Arrears for the Year	Cumulative Arrears as at 31 December	Actual sum to be Collected	Cumulative Arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rates and Taxes	27,807	19,623	8,184	17,350	25,261	22,486
Lease Rent	1,571	1,204	367	287	1,528	375
License fees	401	338	63	63	336	57
Other Revenue	42,585	41,249	1,336	1,336	42,106	30,279

### 2.2.2 Rates

- (a) Although the properties should be assessed in every 5 years for recovering rates, the Boralasgamuwa Urban Council had not assessed its properties after the year 2009.
- (b) The estimated income of rates for the year 2016 was Rs.24,616,014 and only a sum of Rs.16,431,554 had been recovered during the year. It was only a 66.7 per cent of the estimated income. Out of the total income a sum of Rs.8,184,460 represents 33.3 per cent had not been recovered.
- (c) Out of the receivable balance of rates as at 31 December 2015 amounting to Rs.22,429,283, a sum of Rs.16,138,163 represents 72 per cent had been recovered in the current year.
- (d) The outstanding balance of rates as at 31 December 2016 was Rs. 17,349,832 and out of that a sum of Rs.847,447 had been consist with 11 units exceeded Rs.50,000.Out of the total outstanding balance a sum of Rs.12,840,642 had been remained outstanding as at 17 March 2017.

### 2.2.3 Lease Rent

The receivable amount from stalls of the public market and the new market as at 31 December of the year under review were Rs.166,706 and 122,436 whilst the outstanding amount as at 17 March 2017 were Rs.103,780 and Rs.46,424 respectively.

#### **2.2.4 Stamp Fees**

Revenue of stamp fees of Rs. 25,000,000 had been estimated for the year under review and it had been taken in to account under the other income of the Revenue and Expenditure Account. However whatsoever income of stamp fees had not been received.

### **3. Operating Review**

#### **3.1 Management Inefficiencies**

- (a) Boralasgamuwa Urban Council had entered into a new agreement with the waste management authority on 01 August 2016 and agreement had not been furnished to audit for the period from 1 January 2016 to 31 July 2016. Fees for mixed garbage disposal had been paid for the period from January to July 2016 based on various rates. Instead of applying rates which applied for the period from January to February, payments had been made for the period from March to July by applying the rates of the new agreement. Accordingly a sum of Rs 3,450,855 had been overpaid for mixed garbage.
- (b) A building of Werahara kanishta vidyalaya had been repaired by incurring Rs.1, 775,401 by the Council in order to conduct a pre -school under the Western province Development programme. However a part of the building had been acquired by the Werahara kanishta vidyalaya and actions had not been taken by the council to enter in to an agreement in this connection with relevant parties.

#### **3.2 Operating Inefficiencies**

The following observations are made

- (a) Action had not been taken to settle pre-payment balance amounting to Rs.188,905 which had been brought forward from the year 2009 whilst evidence had not been furnished to confirm the said balance.
- (b) Two vehicles belong to the Council had been remained condemned for a long period of time and action had not been taken to remove those vehicles.
- (c) Staff loan of Rs. 219,327 had been remained unsettled for various reasons and action had not been taken to recover those amount from guarantors or following any other suitable action.
- (d) A sum of Rs. 55,765,767 had been paid as salaries during the year 2016 and out of that a sum of Rs.360,483 could not get reimbursed from the Department of Local Government.
- (e) Allowances for council members amounting to Rs.298,500 and receivable salaries amounting to Rs. 5,966,866 shown under the receivable accounts as at 01 January 2016 had been written off without being reimbursed.
- (f) A sum of Rs.87,000 receivable up to July 2016 as fees for 8 notice board fixed within the jurisdiction of the council had not been recovered.

### **3.3 Contract Administration**

Out of 82 projects which the agreements had been signed under the development projects implemented within the jurisdiction of the council, two project had been cancelled whilst 08 projects had not been completed.

### **3.4 Staff Administration**

Nine health labors had been employed as drivers.

## **4. Accountability and Good Governance**

### **4.1 Budgetary Controls**

- (a) Even after transferring provisions between the heads of revenue and expenditure in the year 17 instances in which variations ranging from 4.08 per cent to 100 per cent were observed between the budget and the actual revenue and expenditure, thus observing that the budget had not been made use of as an effective instrument of control.
- (b) Out of the total estimate under 25 expenditure items amounting to Rs.19,135,000 whatsoever expenditure had not been done.
- (c) According to the budget 2016, out of the provision made under the physical plan , the total value of the expenditure items except committee allowances amounting to Rs.3,194,000 had been completely saved.
- (d) According to the budget 2016,the provision made for 14 expenditure items had been underutilized from 16 per cent to 96 per cent.

### **4.2 Internal Controls**

- (a) Internal audit section had not get operated its activities according to the terms of section 133 (1) and (2)of the Financial Regulation of the socialist Republic of Sri Lanka.
- (b) Action had not been taken in accordance with the terms in FR 134 (1), (2) and (3)
  - i. Acting as an independent unit of financial and administration activities of the Institute.
  - ii. Preparing internal audit plan with the consent of the Auditor General.
  - iii. Presenting internal audit reports to the Auditor General.

## **5. Systems and Controls**

Special attention is needed in respect of the following areas of systems and controls

- (a) Accounting
- (b) Administration of Revenue
- (c) Control of contract
- (d) Control of Budget