

Boralesgamuwa Urban Council

Colombo District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 01 April 2019 and the summary report of the Auditor General on the financial statements and details management report had been forwarded to the Chairman on 30 May 2019 and on 24 July 2019.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown under the basis for qualified opinion of this report, the financial statements of the Boralesgamuwa Urban Council give a true and fair view of the financial position as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(i) Three installments of Stamp duty each valued at Rs.390,000 has been charged for the Compactor purchased by the Department of Local Government (WP) and given to the Council and the remaining stamp fees amounted to Rs.38,830,000 had been accounted as stamp duty. So the stamp duty income had been understated by Rs.1,170,000.	Accounts should be corrected.	Accept. Corrective actions will be taken in the future.

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| (ii) | Since not accounting nine items of furniture and office equipment valued of Rs. 662,257 purchased in year 2018, fixed assets have been understated by that amount. | Fixed assets should be accounted correctly. | Accept. Corrective actions will be taken in the future. |
| (iii) | The values of the five vehicles received as donations between the period of 1999 to 2014 had not been valued and accounted. | Assets received as donations should be valued and accounted . | Accpet. 226-2026 Compactor will be handed over to the Moratuwa Municipal Council in future, as it is a vehicle received to Moratuwa Municipal Council. |

(b) Contingent Liabilities

Audit Observation

Recommendation

Comments of the Accounting Officer

Although a sum of Rs.76,850 had been accounted as contingent liability, current position and the details of the court cases were not reported to audit.

Current position of the contingent liabilities should be disclosed.

Accept. Before 2011 cases have been filed for the business license fees and since 2006 this value has been recorded only in the final accounts.

(c) Unreconcilled Accounts

Audit Observation

Recommendation

Comments of the Accounting Officer

Balances relating to four accounts have been over stated by Rs. 4,676,487 in the financial statement when comparing with the balances in the supoting registers/ reports.

Necessary actions should be taken to rectify and correct the differences in the relevant balances.

Accept. Various deposits, arrears in rentals, business tax debtors, and employee loans will be corrected.

(d) **Lack of Necessary Documentary Evidence for Audit**

Audit Observation	Recommendation	Comments of the Accounting Officer
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Schedule for contingent liabilities of Rs.76,850, receipt for prepayment advance of Rs.10,000, an updated document numbering the street lamp posts and their details, deeds relating to the ownership of three cemeteries belonging to the Urban Council, the details of the acquisition or purchase of the plans were not submitted to the audit.	Evidence for the account balance shown in the financial statements should be submitted.	Accept. Corrective action will be taken in future.

1.4 Non-compliances

1.4.1 Non-compliances with Laws, Rules, Regulations and Management Decisions.

Instance of Non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Managemnt Decisions	Non-compliances	Recommendation	Comments of the Accounting Officer
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(a) Establishment Code of the Democratic Socialist Republic of Sri Lanka			

Sections 8.1 and 8.2 of Chapter XLVII	No disciplinary actions had been taken against the officers who did not settle the debt balance.	Action should be taken in accordance with Section 8.1 and 8.2 of Chapter XLVII.	Accept. action will be taken to recover in future.

(b) Financial Regulations

**of the Democratic Socialist
Republic of Sri Lanka**

- (i) F.R 571 Action had not been taken for the deposits valued at Rs. 1,271,287 lapsed over two years. Should be act in accordance with the F.R. 571. Accept. Will take actions to settle.
- (ii) F.R.880,881,891(1) Security deposits were not obtained from the officers who should placed deposits and no proper register for deposits had not been maintained. Should be act in accordance with F.R. 880,881, 891(1) and the Public Officers Security Ordinance. Accept. Necessary arrangements have been made in year 2019.
- (iii) F.R. 1646 Running charts of three vehicles belonging to the Council had not been submitted to the Auditor General. Should be act in accordance with F.R.1646. Accept. Those will be submitted in future.

(c) Other circulars.

Circular No: WP / LGD / 01/2012 of the Local Government Commissioner (WP) dated 11th July 2012 -Section XXI Quarterly report on unauthorized construction and reclamation had not been submitted. Should be act in accordance with the Section XXI of the Circular. Accept. Reports will be submitted in future.

2 Financial Review

2.1 Financial Results

According to the financial statements presented, the income over the recurrent expenditure of the Council for the year ended 31 December 2018 was Rs. 39,245,030 in compared to the income over recurrent expenditure of the previous year Rs. 67,215,767.

2.2 Revenue Administration

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

Information relating to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rates and Taxes	26,525	25,772	22,760	16,872	26,700	24,829	12,364	12,465
Rent	1,961	990	1,042	178	1,426	935	800	135
Licence Fees	702	2,041	2,118	202	512	377	377	-
Other Revenue	48,431	-	51,962	2,026	47,027	37,640	6,144	31,496

2.2.2 Rates and Taxes

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	For the year under review, billed revenue was Rs.25,771,66, but Rs.10805,622 of which or 41.93 per cent had not been recovered during the year by the Council.	Action should be taken to recover the billed amount.	Accept, Outstanding billed revenue will be recovered through restraining officers.
(b)	At the end of the previous year balance of rates debtors was Rs.13,973,105 ,but the Council had recovered only Rs.6,892,052 during the year under review.	Actions should be taken to recover arrears of rates.	Accept. Action will be taken to recover arrears in the future.

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| (c) | The outstanding balances of rates and taxes as at 31 December 2018 amounted to Rs. 16,871,802 of which a sum of Rs. 668,081 pertaining to 10 units of rates over Rs.50,000 had not been recovered. | Actions should be taken to recover the outstanding rates. | Accept. The amount to be recovered is Rs.349, 810. Two rates had been sent to write off and the amount was Rs.121, 865. Two had been sent to write off and the amount is 144,977. One has been recovered and the amount is Rs. 51,429. |
| (d) | Although property has to be assessed once in 5 years and tax should be collected Council has failed to assess the properties after 2009. | Properties should be assessed in every five years. | Accept. The assessors have been informed in writing and their delays affected for this. |
| (e) | Despite the recommendation of the Assistant Commissioner of Local Government to write off irrevocable assessment tax amounting to Rs.193,407.00, The approval of the Commissioner of Local Government had not been received. | Should take approval of the Commissioner of Local Government. | Accept. Will be resubmitted with the approval of the Council. |

2.2.3 Rents

----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) According to condition No. 2, if the rent is delayed by more than a month, the ownership of the shop will be lost. But there are twelve shops which have not paid rents amounting Rs.147,433 for a period of 3 to 15 months, action had not been taken as per agreement.	Should comply with the condition of the agreement.	Accept. The shop owners have been already informed and Rs.98,775 had been collected upto now.
(b) According to the condition No.12 of the agreement and the Local Government Commissioner's Circular 1980/46 dated on 31 December 1980, the rent should be revised every five years, but after 2009, no revision or contract renewal had been made.	Should comply with the conditions of the agreement and circulars	Accept. The Commissioner of Local Government has been informed. Action has been taken to revise.

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| (c) | In accordance with condition No.22, the lessee should not sell, transfer, lease out the shop or any part of it to another person, but it was noted that fifteen stalls had been given under interim lease. | Should comply with the conditions of the agreement. | Accept. Shop owners have been informed and correct in the future. |
| (d) | A sum of Rs.76,793 had not been recovered from the two stall which had been closed for 6 years and the arrears amount had not been carried forward. | Arrears of satll rent should be carry forward and take actions to recover. | Accept. Correct the documentation error and Court case filed for the stall No.9. |

2.2.4 License fees

----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Outstanding balance of business tax amounted Rs. 189,400 for the period from 2012 to 2017 had not been recovered even during the year under review.	Action should be taken to recover arrears of business taxes.	Accept. Court cases have been filed. Actions have been taken to recover.
(b) Although 29 businesses have been sued to collect arrears of Rs .36,000, arrears had not been recoverd until the current year.	Action should be taken to recover arrears of business taxes.	Accept. Businesses have been sued and therefore cannot be recovered until the verdict is given.

2.2.5 Stamp Duty Income

----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Rs. ten million only had been accounted as stamp debtors in current year as Current Assets.	Should be accounted correctly.	Accept. It was a mistake in accounting. It will be corrected in the future.

(b)	Stamp duty for the year 2015 amounting to Rs. 53,341,324 has been identified from the Nugegoda, Delkanda Land Registry Office. But the stamp duty fees receivable for 2016, 2017 and 2018 had not been identified.	Stamp duty receivable for the years of 2016, 2017 and 2018 should be identified.	Accept. Stamp duty for six months of 2016 has been identified by now.
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(c)	Although stamp duty fees from the Land Registrar's Office in Colombo up to September 2015, and the Land Registrar's Office in Avissawella up to August 2015 had been received, since then no income had been received.	Stamp duty income should be recovered.	Accept. About 99 per cent is belonging to the Delkanda Land Registrar's Office and the stamp duty summary report prepared by the Avissawella office will be received.
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3. Operational Review

3.1. Performance

(a) Action Plan

Audit Observation

Recommendation

Comments of the Accounting Officer

Although according to the action plan, provision of Rs. 150,000 has been made from the annual budget to have a training session to the staff, none of the officers has been given training.

Action should be taken to train the officers annually.

Accept. Will take action in the future.

(b) Solid Waste Management.

Audit Observation

Recommendation

Comments of the Accounting Officer

(i) In 2018, there were 7815.82 tons of unseparated garbage and which is 72 per cent of the total garbage collection. The collection of garbage had not been properly managed, and as such the Council had to pay Rs.7,280,468 in excess for mixed garbage.

Garbage collection should be managed properly.

Accept. Will take actions to separate the garbage in future. At present it has reduced to 40 per cent.

- (ii) Although the annual budget had estimated income of Rs. 50,000 from the waste management project, it had not been implemented. The waste management project should be implemented. Accept. Necessary steps are being taken to implement the project in future.

3.2 Management inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Six hundred and seventy three unrepresented books were found according to the accessing register during the survey of library book. When compared to previous year, it was doubled.	All the books should be submitted to survey.	Accept. Will take actions to carryout a re-survey.
(b) It was observed that due to the lack of proper attention was paid relating to environment and security for a library when setting up the new library building, the number of readers were reduced and could not be given a maximum productivity to the readers.	When setting up the library, the environment and the safety of readers should be considered.	Accept. Necessary steps will be taken to increase the productivity.

3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) By the end of the year under review, failed to be filled thirteen vacancies.	Action should be taken to fill the vacancies.	Accept. Action will be taken to fill the vacancies in the future.
(b) Due to the vacancies in two senior level posts, the functions of the Council could not be carried out efficiently and effectively.	Action should be taken to fill the vacancies.	Accept. Action will be taken to fill the vacancies in the future.
(c) Action had not been taken to settle the debt balances amounting to Rs.13,896 given to three retired or transferred officers.	Action should be taken to settle the debt balance.	Accept. Document will be submitted to the Commissioner of Local Government for the write-off.

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| (d) | Action had not been taken to recover the festival and special loan balances of three officers amounted Rs. 23,100, who had left the service. | Action should be taken to settle the debt balance. | Accept. Necessary arrangements will be made in the future. |
| (e) | Action had not been taken to recover the distress loan balance of Rs.338,592 from three officers who were interdicted from the guarantors. | In the event of defaulting of loans, action should be taken to recover from the guarantors. | Will take actions to recover from the guarantors of two officers. Instructed the other officer to present the guarantors. |

3.4 Operating inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer	
(a)	Although 1031 applications have been received for plots land and building plans in the year 2018, 210 applications had not been approved.	Ensure public services to be performed promptly.	Accept. Necessary actions are being taken in the year 2019.
(b)	In accordance with Sub-section 14 (1) (a) of the Planning and Building Regulations 2008-2020 issued by the Urban Development Authority, application for the approval of the Plan should be approved within eight (08) weeks from the date of registration of the applications. But It has been taken a period ranging from 102 to 228 days to give the approval for the building plans.	Ensure compliance with planning and building regulations.	Accept. This is due to the delay in the submission of applications after correcting the shortcomings in the applications and take action to rectify them in the future.

3.5 Asset Management

3.5.1 Assets not Entered in the Register

Audit Observation	Recommendation	Comments of the Accounting Officer
Seven items valued at Rs. 480,237 purchased in 2018 had not been entered in the inventory.	Should be entered in the inventory.	Accept. Action will be taken to enter the register.

3.5.2 Not Attending for Maintenance and Repairs

Audit Observation	Recommendation	Comments of the Accounting Officer
Although a sum of Rs. 1,210,000 had been incurred to place a new tank, new chassis and to paint the mini compactor, it was found that the mounted tank was a welded old tank.	Work and services should be attended promptly and efficiently with necessary standard.	Accept. It is currently being renovated without any payment.

3.5.3 Idle / Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to dispose of two vehicles, which have been in obsolete condition for a long time.	Action should be taken to dispose.	Accept. Necessary action will be taken to auction.

3.5.4 Annual Board of Survey of Inventory / Stock

Audit Observation	Recommendation	Comments of the Accounting Officer
According to the 2018 Board of Survey, items valued at Rs.104,181 which cannot be used were recommended to auction, but not been so done.	Action should be taken to auction.	Accept. Action will be taken to auction.

3.5.5 Contract Administration

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The Road Rate Schedule (HSR) had been used in preparing estimates for the projects and the fees were revised for the year 2018/2019 by the Chief Secretary of the Western Provincial Council on 25th October 2018. But the revised fees had not been used relating to the estimates of four	Estimates should be prepared according to the date of revision of the Road Rate Schedule (HSR).	Accept. Unit prices have been used as per the road pricing table, effective from 11.04.2018.

projects of which agreements were signed prior to the amendment.

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| (b) | Although three private roads had been developed at a cost of Rs.1,612,387, action had not been taken to take over those roads to the Council even up to 20 Feb 2018. | Take action to take over to the council. | Accept. Action has been taken to take over. |
| (c) | Although the total number of roads taken over by the Council was 503 as at 18 September 2018, of which 491 were gazetted. | Action should be taken to gazette. | Accept. After takling over about twenty five new roads to the Council all will be gazetted at once. |
| (d) | Although a sum of Rs. 1,196,483 had been spent for the development of the 189 meter long public road in the Asiri Uyana of the Katuwawala Nilammahara main road in the Kesbewa Divisional Secretarial, there were holes in the area along the developed path and the surface of the stone used was visible. It was not confirmed whether the tar was cast for the second time. | Project should be done correctly and with maximum efficiency and productivity. | Accept, casting tar for the second time had been done and the amount of retention has not been released. |

4 Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
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The entire amount of Rs 3,431,000 allocated for the welfare and essential services of the people under five objects had been saved.	Estimates should be prepared correctly	Accept Actions are being taking in the year 2019.