

**Beruwala Urban Council**

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**Kalutara District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General had been forwarded on 30 June 2019 and the detailed management audit report had been forwarded on 23 September 2019 to the Chairman.

**1.2 Qualified Opinion**

In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Beruwala Urban Council 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 the Qualified Opinion**

**(a) Accounting Deficiencies**

Audit Observations	Recommendations	Comments of the Accounting Officer
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(i) Recurrent grant and receivable income related to the year under review had been under stated by Rs.255,000.	Accurate amount should be accounted.	Action will be taken to account correctly in the year 2019.
(ii) Fixed deposit amounting to Rs.1,391,581 as at 31 December 2018 had been understated.	Accurate amount should be accounted.	Action will be taken to account correctly in the year 2019.
(iii) Although cash deduction of Rs. 1,368,750 from stamp fees during the year under review for tractor installment, only a sum of Rs. 1,053,937 had been adjusted to receivable stamp fees account, so that receivable stamp fees account, local	Should be accounted accurately.	It was been accounted accurately.

government loan account and receivable utility service account had been overstated and capital expenditure had been understated by Rs.314,813.

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| (iv) | Instead of accounting physical stock as stock value, the book value of Rs.3,941,016 had been accounted for.  | Physical stock value should be accounted. | Action will be taken to account correctly in future.      |
| (v)  | Although the balance of contribution from revenue to capital outlay account should be equal to the accounts balance of fixed assets, a sum of Rs.451,702 difference between that two accounts. | Should be accounted accurately.           | Action will be taken to correct the account of year 2019. |
| (vi) | The value of Rs.390,000 of two trailers and a hand tractor received as donations of the year 2015 had not been assessed and accounted.   | Should be accounted accurately.           | Action will be taken to correct the account of year 2019. |

**(b) Un reconciled Accounts**

----- <b>Audit Observations</b> -----	----- <b>Recommendations</b> -----	----- <b>Comments of the Accounting Officer</b> -----
A difference of Rs.9,427,483 existed between the balances of 08 items of accounts in the financial statement of Rs.57,163,616 and its balances shown in the related schedules.	Actions should be taken to accurate the accounts, reconciling the differences in the related balances.	Actions will be taken to furnish accurately while preparing the final accounts of 2019.

(c) **Suspense Accounts**  
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<b>Audit Observations</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
A credit balance of suspense account as at the date of 31 December 2018 had been Rs.444,419, action had not been taken to settle by identifying it.	Should be settled the suspense account.	Suspense account will be corrected in future accounting year.

(d) **Lack of Written Evidence Required For Audit**  
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<b>Audit Observations</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
Nine items of accounts amounting of Rs.74,376,389 could not be satisfactorily vouched in audit due to lack of updated fixed asset registers, detailed schedules and letters of balance confirmation.	Evidence to confirm the balances of accounts shown in the financial statements should be furnished.	An action will be taken to furnish accurately while preparing final accounts in 2019.

1.4 **Non Compliances**  
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**Non-compliance with Laws, Rules, Regulations and Management Decisions**  
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	<b>Reference to Laws, Rules, Regulations and Management Decisions</b> -----	<b>Value Rs.</b> -----	<b>Non Compliances</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
(a)	Section 170(2) of Urban Council Ordinance of 1988	-	Properties had not been seized as the final step for recovery of rates	Action should be taken according to the provisions in the Urban Councils Ordinance.	Action is being taken to seize properties by issuing red notices.

- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 371(2)(c) 1,087,611 Although an advance given for a particular work should be settled immediately after completion of such work had not been made accordingly. Action should be taken according to the Financial Regulation. While preparing final accounts in the year 2019, will be correcting.
- (c) Financial Regulations 571(1)(2) 1,669,388 Preparing a list regarding to all lapsed deposits as at the each semester. Action had not been taken for lapsed deposits. Action should be taken according to the Financial Regulation. Lapsed deposits will be taken in to revenue in future

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs. 33,233,072 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 32,574,806.

### 2.2 Revenue Administration

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

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

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	16,336,400	16,908,314	10,531,001	19,668,035	17,297,400	16,784,174	8,565,171	18,526,775
(ii) Rent	19,870,600	11,149,153	8,971,404	2,177,749	19,973,000	13,031,737	11,443,624	1,588,112
(iii) License Fees	510,000	216,755	216,755	-	160,000	192,750	170,000	22,750
(iv) Other Revenue	210,000	125,875	125,875	-	135,000	485,812	485,812	-

## 2.2.2 Rates and Taxes

----- Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a ) The arrears balances of rates as at 01 January 2018 amounted to Rs 18,372,695 out of that a sum of Rs 13,290,721 or 72 percent had not been recovered during the year under review.	Arrears rates revenue should be recovered.	Action will be taken to collect arrears rates revenue in future.
(b) Annual rates billing was Rs 15,262,394 out of that a sum of Rs 6,299,414 or 41 percent had not been recovered, However the total arrears of rates was Rs 16,454,579 as at 31 May 2019	Arrears rates revenue should be recovered.	Action will be taken to recover the arrears according to a plan implement during the year.
(c) Arrears of rates less than 01 year was Rs.2,823,702, between 01 to 03 years was Rs.4,103,787 between 03 to 05 years was Rs.7,483,962 between 05-10 years was Rs.3,903,792 and over 10 years was Rs. 1,274,892. Action had not been taken accordance with the Section 170 of Urban Council Ordinance Act regarding the properties which was non recovery in long period.	Arrears rates revenue should be recovered.	It is informed that action will be taken to seize the properties in future.
(d) The arrears balance over 03 years was Rs 206,490 as at 31 December 2018 relating to 39 units of public institutions.	Arrears rates revenue should be recovered.	It is informed that submitted to Commissioner of Local Government for necessary action.
(e) Action had not been taken to recover the rates by obtained new assessment value for approved building and properties of the Sabha	Action should be taken to recover the rates by obtaining a new assessment value.	Action will be taken to obtain new assessment for that properties and carrying out new assessment revision in the year 2019.

### 3. Operating Review

#### 3.1 Performance

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) <b>By-laws</b>		
Although by-laws have to be imposed under Section 157 of the Urban Councils Ordinance in order to perform 15 main functions, by-laws had been imposed only for one function even up to 31 December 2018.	By laws should be imposed according to the Urban Council Ordinance.	14 by-laws were adopted by the special Gazette of Local Government on 28 December 2016.
(b) <b>Action Plan</b>		
Although it should be made measurement by supervising the progress of annual Action Plan, and 110 activities cost of Rs 114.57 for 5 programs of action plan were identified to perform, Sabha had not a method to measure the progress.	Action Plan accurately prepared according to the relevant circular and should be performed.	It is mention that expected to move another method to measure the progress of the Action Plan in future.
(c) <b>Non Provision of Allocation</b>		
Although a sum of Rs 13.07 million was provided from budget under the program of physical plan as capital expenditure, Rs 25.89 million had been estimated for 26 projects in the Action Plan. So that annual budget provision had not been provided for Rs 12.82 million.	Budget should be taken to prepared in feasibly.	Action will be taken to not happen of these short comings from the budget of 2020.
(d) <b>Not Execute the Projects including the Action Plan.</b>		
Twenty projects of Rs.22.79 million include in the Action Plan had not been implemented.	Action Plan should be prepared in optimum.	Action will be taken to not happen of these short comings.

(e) **Projects Execute Outside the Action Plan.**

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 A cost of Rs.15.69 million of 35 projects that were not included in the action plan for the year under review had been executed.

Preparing Action Plan in bench mark level and action should be taken according to that plan.

It is mention that revised plan will be presented when the projects implement outside the Action Plan from the year 2020 and action will be taken to not execute the projects outside the Action Plan.

(f) **Solid Waste Management**

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 Sum of Rs.32,018,486 had been expended for solid waste management and the income received from imposing garbage tax was Rs.641,500. However proper method had not been followed for disposing of garbage.

Should be paid attention to compost project for decaying garbage.

Unable to implement a compost project.

(g) **Targets of Sustainable Development**

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 When preparing budget estimates the new policies and strategies had not been identified and made the provision under the Department of National Budget Circular no.bd/CBP/4/1/2-2018 on 31 July and goals and targets had not been clearly identified.

Action should be taken to do related circulars and guidelines.

This activity was done correctly in the year 2019.

3.2 **Human Resources Management**

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**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**  
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**(a) Employees Vacancies and Excesses**  
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There were vacancies in the posts of Secretary, Accountant and Administrative Officer, 03 posts of Revenue Inspectors and

Action should be taken to fill the posts of vacancies in cadre.

Necessary action is being taken to fill the vacancies.

02 posts of work supervisors.

**(b) Staff Loans**

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Arrears loan balance was Rs.185,329 from 83 officers who were expired, gone on transfers and retried as at the end of the year.

Arrears loan balances should be recovered soon.

Arrears loan balances over 10 years had been referred to the Commissioner of Local Authority.

**3.3 Identified Losses**

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**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

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Action had not been recovered value of Rs.26,400 of 16 flag poles and 24 series of led bulbs that had been obtained and not been returned by an officer of the Sabha

Action should be taken to recover the loss

Commissioner of Local Authority had been informed to take disciplinary action to recover the loss.

**3.4 Procurements**

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**3.4.1 Procurement Plan**

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**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

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According to section 4.2.1 of the National Procurement Guideline when implementing 26 projects at the cost of Rs.25.89 million in 2018 had not been prepared a time plan.

Should be taken actions as per National Procurement Guidelines.

Action will be taken correctly according to Procurement Plan from the year 2019.



### 3.4.2 Contract Management

----- <b>Audit Observations</b> -----	----- <b>Recommendations</b> -----	----- <b>Comments of the Accounting Officer</b> -----
(a) Although approval should be taken and prepared the drawing by identifying the position of roads which had been developed by laying tar, and a sum of Rs.129,290 had been paid for ABC without identifying the places to be filled.	Action should be taken to purchase and issue according to requirement of estimates for the projects.	Material was used because of the road increased. Further it is unable to issue tar for required quantity.
(b) A sum of Rs.778,172 had been paid to 03 projects by using higher rates in the road rate schedules without confirming ABC mixture rate by inspection report for road constructions.	ABC mixture ratio should be confirmed by inspection report.	Material are being used by taking a mixture ratio inspection report from Provincial Road Development Authority for ABC provided to Sabha..
(c) Although requirement of raw material should be decided according to the estimates of roads development by laying tar in direct labour, material had been issued in extra of Rs.189,025 for three projects and under issue of Rs.129,369 for three projects according to the issue notes.	Material should be issued according to estimates requirements.	Material had been used in such due to extra width of the estimated road. Tar can't be issued in required quantity..
(d) Rs.13,693,365 had been paid without confirmed by test report of the thickness of ABC and ratio of the mixture of carpet for two roads developed by laying carpet, one road which was laying carpet existed thickness was lower than the expected 40 mm.	Quality of the road should be confirmed by ABC thickness and carpet thickness mixture ratio reports.	There was done only the relevant ABC fixing and carpet thickness testing reports for projects. It is mentioned that the report will be presented by testing ABC thickness and mixture ratio.

- (e) Although it had been paid to 68 cubic meters for 1,700 square meters. At the physical inspection it had been used 63.36 cubic meters of carpet for 1584 of meters. Although a sum of Rs.115,336 had been paid for 116 square meters of cutback Without confirming the thickness of that. Should be confirmed the thickness and quantity of cutback that had been used for 116 square meters. Three engineers who had knowledgeable about this were certified.
- (f) It had been paid of Rs.66,505 for remaining less thickness of carpet for 65 meters of Summed Lane. Should be recovered over payment by examine the carpet thickness. It had been confirmed by three engineers and they were responsible accordingly.