Boralesgamuwa Urban Council – 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Boralesgamuwa Urban Council for the year ended 31 December 2024 comprising the Statement of Assets and Liabilities as at 31 December 2024, Comprehensive Income Statement, Statement of changes in Net Assets/Equity, Cash Flow Statement for the year then ended and notes to the financial statements including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Sub-Section 181 (1) of the Urban Councils Ordinance (Chapter 255) and Sub-section 10(1) of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Boralesgamuwa Urban Council as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

1.2. Basis for Qualified Opinion

I expressed qualified opinion regarding financial statements on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the urban council's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the urban council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Urban council, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Urban council has complied with applicable written law, or other general or special directions issued by the governing body of the Urban council;

- Whether it has performed according to its powers, functions and duties; and

- Whether the resources of the urban council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

(a) The financial statements of the Urban council presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

(b) The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards for Local authorities

Non Compliance with the reference to particular Standard	Comments of the council	Recommendation
The inventory balances of 12 inventory items as at 31 December 2024 had not been valued using appropriate rates as specified in paragraph 5.11 of Chapter 5 of the Standard, resulting in an overstatement of inventory by Rs.406,723.	Action will be taken to rectify this in the year 2025.	It should be accounted for correctly.

1.6.2 Accounting Deficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	As the total amount of Rs. 7,268,719, representing the estimated cost of one project not commenced during the year and the completed value of two incomplete projects as at 31 December, had been capitalized as roads, bridges, and culverts for the year under review, property, plant, and equipment had been overstated by Rs. 7,268,719.	Action will be taken to rectify this in the year 2025.	It should be accounted for correctly.
(b)	According to the schedules submitted for audit, the total capital expenditure on canal constructions amounting to Rs. 107,789,722 had been capitalized as Rs. 111,478,374. As a result, the roads and canals account had been overstated by Rs. 3,688,652.	Action will be taken to rectify this in the year 2025.	Assets should be accounted for correctly.
(c)	During the year under review, a sum of Rs. 609,576 received as building	Action will be taken to rectify this in the year 2025.	Recurrent expenditure should

	recurrent expenditure under the Western Provincial Development Plan had been shown as a provincial council capital grant instead of being shown under recurrent expenditure.		be accounted for correctly.
(d)	The total value of Rs. 2,121,807 spent on buildings completed in the years 2021 and 2022, amounting to Rs.1,196,310 and Rs. 925,497 respectively, had not been capitalized during the year under review.	Action will be taken to rectify this in the year 2025.	Assets should be accounted for correctly.
(e)	A work cost at Rs. 290,239, incurred from the Council Fund for projects that had not been completed during the year under review, had been capitalized under buildings instead of being shown as work in progress.	It was instructed at the workshop held for the preparation of the final accounts of the Provincial Council that accounting on an unfinished basis should be applied only to business entities engaged in manufacturing and selling goods.	Work in progress & building should be accounted for correctly.

1.6.3 Unreconciled Control Accounts

	Audit Observation	Comments of the Council	Recommendation
(a)	Although the total has been Rs. 75,840,699 according to the schedules submitted for audit relating to 04 account items, as per the revenue summary/progress reports on revenue collection that balance amounted to Rs. 78,591,966, resulting in a difference of Rs. 2,751,267.	No clear response had been provided.	The reasons for the difference should be identified and rectified.
(b)	Although the total was Rs. 30,186,830 according to the schedules submitted for audit relating to three accounting items, as per the revenue summary/progress reports on revenue collection, that balance was Rs. 26,806,746, resulting in a difference of Rs. 3,380,084.	This is an error that has arisen in the computer system and necessary action is being taken to correct it.	The difference should be identified and corrected.
(c)	There was a difference of Rs. 4,087,103 between the balance relating to the item of rates debt shown in the financial statements and the balance shown in the relevant schedule.	Action will be taken to rectify this in the year 2025.	The difference should be identified and corrected.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over expenditure of the Council for the year ended 31 December 2024 amounted to Rs. 115,007,717 as compared with excess of revenue over expenditure amounted to Rs. 51,899,403 in the preceding year.

2.2 Financial Control

Comments of the Council	Comments of the Council	Recommendation
Although there was a balance of Rs.128,556,196 in the People's Bank current account as of 31 December 2024, the council had not paid attention to retaining sufficient funds to cover daily expenses and investing the remaining funds in short-term or long-term investments to generate income.	A sum of Rs. 50 million had been retained for completing the remaining construction work of the new office building belonging to the Urban Council, and therefore, it had not been possible to invest the funds in short-term or long-term investment avenues.	The Council should pay attention to utilizing the available funds in suitable short-term or long-term investments to generate income.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Information relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

	Revenue source	2024				2023			
		Estimated Revenue (Rs.) '000	Revenue Billed (Rs.) '000	Revenue Collected (Rs.) '000	Total Arrears as at 31 December (Rs.) '000	Estimated Revenue (Rs.) '000	Revenue Billed (Rs.) '000	Revenue Collected (Rs.) '000	Total Arrears as at 31 December (Rs.) '000
(i)	Rate & Taxes	60,000	72,751	63,027	34,807	28,000	28,020	30,017	25,083
(ii)	Rent	990	990	1,190	171	990	990	913	245
(iii)	Licence Fee	230	304	304	-	750	307	307	-
(iv)	Other Revenue	1,210	1,614	1,614	-	1,070	2,219	2,219	-
	Total	62,430	75,659	66,135	34,978	30,810	31,536	33,456	25,328

2.3.2 Performance in Revenue Collection

Audit Observation	Comments of the council	Recommendation
(a) Rates and Taxes		
(i) For the year under review, the billed rates and tax revenue amounted to Rs. 72,751,191 and out	It was reported that 23 percent of the arrears had been	Action should be taken to recover the arrears rates

	of which Rs. 21,548,437 or 30 percent had not been recovered by the Council during the year.	recovered as of now after taking legal action to recover the balance of billed revenue.	and tax billed revenue.
(ii)	The balance of rates and tax debtors amounted to Rs. 25,083,127 as at the end of the previous year and out of which the Council had failed to recover Rs. 13,258,474 or 53 percent.	23 percent of the arrears have recovered at present.	Action should be taken to recover the arrears rates and tax billed revenue.

3. Operational Review

3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 4 of the Urban Councils Ordinance are shown below.

(a) Unimplemented projects

Audit Observation	Comments of the council	Recommendation
Although an amount of Rs. 24,000,000 was received from the joint account maintained with the Urban Development Authority for the implementation of three development projects and approved on 05 February 2021, two projects amounting to Rs. 14,000,000 had not been implemented.	It has been decided that the building will be constructed by the Provincial Council's engineering division using funds jointly managed by the Urban Development Authority and the Urban Council.	Action should be taken to implement the development projects within the approved timeframe.

(b) Projects not commenced

Audit Observation	Comments of the council	Recommendation
Although an agreement of cost estimate of Rs.1,400,000 was entered into with a sports society on 04 December 2024 to systematize water drainage from Pinlida area along Kavanis Edirisuriya Road, construction work had not commenced even by the audit date of 27 February 2025.	No response has been provided.	Action should be taken to implement the development projects within the approved timeframe.

(c) Solid waste management

	Audit Observation	Comments of the council	Recommendation
(i)	During the year under review, Rs. 15,654,465 was spent, and 4,234 tons of biodegradable waste and 5,219 tons of non-biodegradable waste were disposed of in the Karadiyana waste yard. Compared to the previous year, the quantity of non-biodegradable waste increased by 3,465 tons or 66 percent rise.	This is due to the disposal of a larger quantity of mixed waste.	Separated waste should be collected, and action should be taken to manage the non-biodegradable waste properly.
(ii)	The Council has not paid attention to minimizing the costs of waste disposal by taking actions such as selling biodegradable waste or producing fertilizer through a compost project, managing non-combustible waste.	The Boralesgamuwa Urban Council does not have a suitable land for compost production, and every Sunday a waste market and Shramadana are conducted, a process is already carried out to generate an income of about Rs. 15,000 per month for the council by selling recyclable materials.	Action should be taken to ensure the Council pays attention to minimizing the costs of waste disposal.

3.2 Management Inefficiencies

	Audit Observation	Comments of the council	Recommendation
(a)	Although according to the industrial schedule, the expenditure on the repair of roads, canals, and buildings amounted to Rs. 12,219,104, in the income statement, this expenditure was shown as Rs. 11,535,580. Although there is a difference of Rs. 693,596 was observed, and it had not been identified and corrected.	Action will be taken to rectify this in the year 2025.	The action should be taken to identify the difference and corrected.
(b)	The creditor balance as at 31 December 2024 included outstanding balances of Rs. 100,057 and Rs. 471,500 from 2017 and 2023 respectively, which had not been settled.	Action will be taken to rectify this in the year 2025.	Action should be taken to settle creditor balances.
(c)	There were 06 cheques with a total value of Rs. 1,390,523 in which only the cheque number was mentioned in the cheque issuance register, but	Action will be taken to rectify this in the year 2025.	Written evidence confirming the delivery

	information confirming that the cheques had been handed over to the respective payees was not provided.		of cheques should be obtained.
(d)	Although guidelines 3.3 (a) and (b) of the Central Environmental Authority's guidelines on issuing environmental protection permits for small-scale polluting activities specify who should be included in the investigation committee, these instructions had not been followed, and the investigation committee consisted of only two officers.	Action will be taken in accordance with guidelines 3.3 (a) and (b) of the guidelines.	Action should be taken in accordance with the instructions issued in the guidelines by the Central Environmental Authority.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the council	Recommendation
During the year under review, 02 compactors and 02 hand tractors remained idle.	Action has been taken to obtain a full valuation report for the compactor vehicles, and actions are being carried out to repair the hand tractors.	Action should be taken to proper utilization of assets.

3.4 Assets Management

	Audit Observation	Comments of the council	Recommendation
(a)	Action had not been taken to verify the ownership of 29 lands out of 31 lands valued at Rs. 907,522,241 shown in the financial statements.	Actions have been taken to certify the declaration deeds for 10 lands, and action will be taken in the future for the remaining lands.	Action should be taken to ensure ownership of property.
(b)	Actions had not been taken to confirm the ownership of 14 plots of land identified in the year under review as lands whose ownership was transferred to the Urban Council and to value and record the value.	Action will be taken in the future to verify ownership, assess the value, and accounted.	Action should be taken to verify ownership, assess the value, and accounted.
(c)	Action had not been taken to take over six vehicles under the name of the Council.	Action is being taken to take over the vehicles under the name of the Council.	Action should be taken to take over the vehicles under the name of the Council.