

**Boralesgamuwa Urban Council**

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**Colombo District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019 had been presented for audit on 03 March 2020 and the summary report of the Auditor General on the financial statements and details management report had been forwarded to the Chairman on 23 July 2020 and on 21 August 2020.

**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 2019 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
<b>(i)</b> As per the schedule the industrial credit balance as at 31 December 2019 was Rs.21,812,725 but according to the Financial Statements the industrial credit balance was Rs.21,709,752.	Should be accounted correctly.	Accept. Corrective actions will be taken in the future.
<b>(ii)</b> Although 10 sewing machines worth Rs.325,000 purchased in 2017 had been distributed to the beneficiaries, those were accounted under the plant and machinery account.	Should be removed from the accounts.	Accept. Corrective actions will be taken in Final Account for the year 2020.
<b>(iii)</b> Contrary to the approval given by the Department of Local Government (BP) to write-off arrears of salary of Rs.928,706 not reimbursed on 31 December 2018, a sum of Rs.1,283,380, had been written off. Due to that the outstanding balance for	Action should be followed the instructions of the Local Government Department.	Accept. Corrective actions will be taken in Final Account for the year 2020.

the year under review had been decreased by Rs.354,674.

- (iv) After three installments valued at Rs.1,142,000 had been charged for the Compactor purchased by the Department of Local Government and given to the Council a sum amounted to Rs.9,503,765 had been accounted as stamp duty. So the stamp duty income had been understated by Rs.1,142,000.
- Should be accounted correctly.
- Accept. Corrective actions will be taken in the future.

**(b) Unreconciled Accounts**

Audit Observation	Recommendation	Comments of the Accounting Officer
Balances relating to six accounts have been overstated by Rs.264,026 and understated by Rs.1,807,367 in the financial statement when comparing with the balances in the supporting registers/ reports.	Necessary actions should be taken to rectify and correct the differences in the relevant balances.	Accept. Corrective actions will be taken in Final Account for the year 2020.

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

Audit Observation	Recommendation	Comments of the Accounting Officer
Schedule for contingent liabilities of Rs.76,850, other deposits of Rs.8,432,659 and receipt for prepayment advance of Rs.10,000, were not submitted to the audit relating to three accounts aggregating Rs.8,519,509 .	Evidence for the account balance shown in the financial statements should be submitted.	Schedule for contingent liabilities and other deposit will be submitted to the audit. No schedules for prepayment advance.

**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.

	<b>Reference to Laws Rules, Regulations and Managemnt Decisions</b> -----	<b>Non-compliances</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a)	<b>Establishment Code of the Democratic Socialist Republic of Sri Lanka</b> ----- Sections 8.1 and 8.2 of Chapter XLVII	No disciplinary actions had been taken against the officers who did not settle the debt balances amounting Rs.42,655.	Action should be taken in accordance with Establishment Code	The letter dated 07.02.2020 has been submitted to the Assistant Commissioner of Local Government to be written off as the debt balance which has been in existence for many years and cannot be recovered from the debtors. A case has been filed regarding loan balance of the fraud.
(b)	<b>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b> ----- Financial Regulation 571	Action had not been taken for the deposits valued at Rs.333,024 lapsed over two years.	Should be act in accordance with the Financial Regulations	Accept. Action Will be taken to get to the revenue.

## 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 2019 was Rs.76,870,331 in compared to the income over recurrent expenditure of the previous year Rs.39,245,030.

### 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	2019				2018			
	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	27,510	26,919	26,150	17,036	26,525	25,772	22,760	16,872
Rent	1,961	2,162	2,237	431	1,961	990	1,042	178
Licence Fees	652	378	378	-	702	2,041	2,118	202
Other Revenue	59,618	-	44,488	51,749	48,431	-	51,962	2,026

## 2.2.2 Rates and Taxes

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	The Council had not be taken to recover Rs.18,331,392 from the rates and tax billed revenue during the year.	Action should be taken to recover the billed amount.	Seventy per cent of billed rates and taxes revenue has been recovered during the current year. Part of the last quarter is often in arrears, as it had to be recovered in the first quarter of the first month of the next year by a legal process to recover the (quarterly) rates applicable to the last quarter.
(b)	At the end of the previous year balance of rates debtors was Rs.16,871,802 ,but the Council had failed to recover Rs.9,342,704 during the year under review.	Action should be taken to recover arrears of rates.	Action to recover arrears after the disaster has already been commenced.
(c)	Action had not been recover amounting of Rs.535,089 arrears of rates from eight units of rates over Rs.50,000 .	Actions should be taken to recover the outstanding rates.	According to the register as assessments had been recovered from the existing properties and it has been agreed to pay the existing deficit in installments from two places, accordingly action will be taken to collect the arrears and to write-off the property which cannot be recovered legally.

- (d) According to the Commissioner of Local Government circular No CD.2/3/101 of 31 December 1980 property has to be assessed once in 5 years and tax should be collected the Council has failed to assess the properties after 2009.
- Properties should be assessed in every five years.
- The new assessment started in 2020. The hypothetical rent has also been calculated so far. Field surveys were disrupted since March due to Covid-19.

### 2.2.3 Rents

----- <b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) According to condition No. 2, if the rent is delayed by more than a month, the ownership of the shop will be end. But there are ten shops which have not paid rents amounted Rs.116,214 for a period of 3 to 15 months, and action had not been taken as per agreement.	Should comply with the condition of the agreement.	Final notices have been issued to recover the arrears of more than 03 months and action will be taken to recover in the future.
(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 shop 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	The shopkeepers objected to the renewal of the agreement and the revision of the lease and refused to update the agreement. The Commissioner of Local Government has been informed. It is informed has been update the agreement after a discussion.
(c) Lease agreements have to be renewed every three years, but 38 shops agreements had not been renewed for four to ten years.	Lease agreements should be renewed in every three years.	It was not agreed to act in accordance with the circular issued by the Department of Local Government regarding sub-leases and to renew the agreements and the relevant notifications were made in this regard as well.

#### 2.2.4 License fees

----- <b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) It was failed to recover outstanding balance of business tax amounted Rs.189,200 for the period from 2012 to 2017 even during the year under review.	Action should be taken to recover arrears of business taxes.	Action had been taken to recover taxes from existing locations, and arrears in closed locations are acting as unrecoverable arrears.
(b) Although 39 businesses have been sued to recover arrears of Rs.36,000 those had not been recovered up to the current year.	Action should be taken to recover arrears of business taxes.	Referred to the Mediation Board for recovery of Businesses taxes.

#### 2.2.5 Stamp Duty Income

----- <b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
Stamp duty amounting to Rs.30,851,525 from the Nugegoda, Delkanda Land Registry Office up to June 2018 has been identified. But the stamp duty fees receivable from July 2018 to December 2019 had not been identified.	Stamp duty receivable from July 2018 to December 2019 should be identified.	Schedules relating to stamp duty prepared for the year 2018 amounting to Rs.41,416,273 had been submitted to the Provincial Commissioner of Inland Revenue.

### 3. Operational Review

#### 3.1. Performance

The following are the observations made relating to the regulation and control of matters of public health, public utility services and public roads, and the performance of the duties which were to be performed by the Council for the welfare and convenience of the people under Section 4 of the Urban Council Ordinance.

##### (a) Solid Waste Management.

----- <b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(i) In 2019, there were 6938.28 tons of unseparated garbage. The collection of garbage had not been properly managed,	Garbage collection should be managed properly.	Although public awareness programs on garbage segregation and

and as such the Council had to pay excess of Rs.4,162,968 for mixed garbage.

garbage fairs are regularly conducted in the area, there is a very slow response for garbage segregation among the public.

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| (ii) | Since January 2019, it was able to generate revenue of Rs. 379,500 by removing 40.67 tons of garbage of private companies, but no by-law has been passed. | A by-law should be passed. | Action will be taken to pass a by-law for garbage collection. |
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### 3.2 Management inefficiencies

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
An agreement was reached and payment had been made on 01 February 2018 to taken on lease a new library building with an advance of Rs.1.2 million and to pay Rs.100,000 per month. It was observed that due to the lack of proper attention was paid relating to environment and security of a library the number of readers were less and it was unable to obtain a maximum productivity to the readers.	When establish the library, the environment and the safety of readers should be considered.	The building was selected after a site inspection by the Procurement Committee based on the observations and recommendations of the Technical Evaluation Committee.

### 3.3 Human Resource Management

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
(a) By the end of the year under review, there were 8 vacancies in approved posts.	Action should be taken to fill the essential vacancies.	Accept. Action will be taken to fill the vacancies in the future. It has already been gazetted.
(b) There were festival and special loan balances amounted of Rs.39,950 of seven officers, who had left the service.	Action should be taken to get settle the debt balance.	Document had been submitted to the Commissioner of Local Government on 7 February 2020 to write-off loan balances exiting for several years.
(c) Out of the loan balance of Rs.13,896 given to three retired	Action should be taken to get settle the debt balance.	A case has been filed in the Nugegoda Magistrate's Court

and transferred officers, Rs.11,191 was recovered in installments but it was remained as a balance to be recovered.

regarding the financial fraud but the proceedings are not yet over.

- (d) Action had not been taken to recover the loan balance of Rs.79,868 from an officer who was interdicted. In the event of defaulting of loans, action should be taken to recover from the guarantors. Officers' loan balances are being recovered from guarantors

### 3.4 Operating inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
Of the 289 bulbs that burned out before the warranty period in 2018 and 2019, 189 had not been get replaced.	Action should be taken to obtain the service before the warranty period expires.	Up to now hundred bulbs have been provided by OTEC. Action should be taken to obtain other bulbs in the future.

### 3.5 Asset Management

#### 3.5.1 Assets not Entered in the Register

Audit Observation	Recommendation	Comments of the Accounting Officer
Fifteen items of furniture and office equipment valued at Rs.373,637 and two generators worth Rs.5,204,020 purchased in 2019 had not been entered in the Fixed Asset Register.	Should be entered in the Fixed Asset Register.	Accept. Action will be taken to enter in the register in the future.

#### 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 replace a new tank, a new chassis and to paint the mini compactor, it was found that the mounted tank was a welded old tank and the removed tank had not be get back from the garage until 18 May 2020.	Work and services should be attended promptly and efficiently with necessary standard.	Accept. The repairs had been done at a cost of Rs.1,210,000. Action is being taken to get back the old tank.