

**Balangoda Urban Council**  
**Ratnapura District**

-----

**1. Financial Statements**

-----

**1.1 Presentation of Financial Statements**

-----

The financial statements for the year 2017 had been presented to audit on 28 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 20 July 2018.

**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 Balangoda Urban Council as at 31 December 2017 and its financial performance and cash flows the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

-----

**1.3.1 Accounting Deficiencies**

-----

The following matters were observed.

- (a) The payable interest amounting to Rs.61,653,691 for the Local Loans Development Fund loans as at 31 December 2017 had been brought to account as Rs.54,128,411. As such the loan interest payable had been understated by Rs.7,525,280 in the accounts.
- (b) The payable contribution to the Local Government Pension Fund as at 31 December 2017 had been brought to account understating Rs.49,699.
- (c) The library books received as donations amounting to Rs.156,743 had not been brought to accounts.
- (d) The library books removed off amounting to Rs.18,966 as per the recommendations of the Boards of Survey in the year 2015, had not been adjusted in the accounts.

**1.3.2 Accounts Receivable and Payable**

-----

**(a) Accounts Receivable**

-----

The following matters were observed.

- (i) The recoverable balance from the revenue debtors for over a period of 06 years as at 31 December 2017 totalled Rs.1,202,654.

- (ii) The balance of money transfer account amounting to Rs.9,303,601 brought forward since preceding years had not been settled even by April 2018.
- (iii) Trade stall rent amounting to Rs.139,100 recoverable as at 31 December 2017 had not been recovered even by April 2018.

**(b) Accounts Payable**  
-----

The loan installment and interest payable from the year 2008 totalling Rs.145,338,240 for the loans obtained from the Local Loans Development Fund to construct the trading complex with the Balangoda Bus stand had not been paid.

**1.3.3 Lack of written Evidence for Audit**  
-----

Ten items of accounts totalling Rs.410,897,871 could not be satisfactorily verified in audit due to non-submission of the Register of Fixed Assets, detailed schedules, age analysis and Reports of the Boards of Survey for audit to confirm the fixed assets and current assets shown in the financial statements.

**1.3.4 Non-compliances**  
-----

**1.3.4.1 Non – compliance with Laws, Rules, Regulations and Management Decisions**  
-----

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b> -----	<b>Value</b> -----	<b>Non – compliance</b> -----
	Rs.	
<p>(a) <b>Chapter XIX of the Establishments Code of the Democratic Socialist Republic of Sri Lanka</b> -----</p> <p>Section 5.6</p>		<p>Monthly rent at the rate of Rs.1,500 has been recovered according to a decision of the Sabha in recovery of monthly rent for 05 official quarters belonging to the Council.</p>

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

- 
- |       |                              |            |   |
|-------|------------------------------|------------|---|
| (i)   | Financial Regulation 104 (1) | 7,760      | Action had not been taken on a shortage of 04 brass flower pots.  |
| (ii)  | Financial Regulation 113     | 33,696,533 | The unsettled advances brought forward since number of years in the miscellenous advance account had been written off to the accumulated fund without obtaining the formal authority. |
| (iii) | Financial Regulation 156(1)  | 19,732     | Even though, the surcharges had been paid due to non-payment of electricity bills and water bills on due dates, action had not been taken on the responsible persons thereon.         |
| (iv)  | Financial Regulation 571     | 24,000     | Action had not been taken to prepare the lists of lapsed deposits unclaimed since the year 2015 and to dispose those.   |

**(c) Government Prouement Guidelines**

- 
- |      |   |           |  |
|------|---|-----------|--|
| (i)  | Guidelines 5.4.4 (i), 5.4.8(a), 5.4.13(a) | 1,728,419 | A sum of Rs.1,168,841 had been over paid in payment of advances to construct retaining wall of the Bankiyawatta solid waste management centre. Further, the performance guarantee amounting to Rs.559,578 had not been obtained and the conditions of the liquidated damages had not been included in the agreement. |
| (ii) | Guideline 9.3.1(b)                        | 316,745   | Even though, the approval of the Secretary of the Ministry should be obtained for the repairs more than Rs.200,000 action in terms of said provisions had not been taken in  |

respect of overhaul engine repair of a tractor.

(d) Paragraph 3.1 of the Public Administration Circular No.30/2016 dated 29 December 2016.

The fuel consumption tests had not been carried out in respect of 36 motor vehicles of the Council.

(e) Paragraph 1.5 of the Circular No.2009/01 of the Commissioner of Local Government dated 09 March 2009.

The lease rental for 143 trade stalls in the Trading Complex Building of the Balangoda Bus Stand has been recovered on the basis of the assessment made in the year 2005. As the protests of the lessees against the assessment made by the Department of Valuation in the year 2015, it was not implemented.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs.2,227,735 as compared with the excess of revenue over recurrent expenditure for the preceding year amounting to Rs.1,888,420.

### 2.2 Revenue Administration

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

The information with regard to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	2017				2016			
	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.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	8,276,000	8,372,029	8,887,800	3,015,177	9,359,000	8,197,414	9,278,165	3,530,947
Lease Rent	28,633,000	23,387,731	23,031,819	942,067	20,281,000	20,176,773	20,267,514	586,155
Licence Fees	4,042,000	3,165,883	3,165,883	-	2,100,000	2,843,980	2,843,980	-
Other Revenue	25,175,000	17,644,659	17,509,073	1,549,963	38,409,000	2,850,552	28,279,067	1,414,377

## **2.2.2 Performance in Collection of Revenue**

-----

The following matters were observed.

- (a) The collected revenue of Rs.60,668,726 for the year 2016 had been Rs.52,594,575 in the year 2017 and as such the collected revenue for the year under review had decreased by Rs.8,074,151 as compared with the preceding year.
- (b) The estimated revenue of rates and taxes for the year under review had decreased by Rs.1,083,000 as compared with the preceding year.

## **2.2.3 Rates and Taxes**

-----

Necessary action had not been taken even by April 2018 to recover the rates in arrears for the preceding years amounting to Rs.2,393,325.

## **2.2.4 Court Fines and Stamp Fees**

-----

The following matters were observed.

- (a) Necessary action had not been taken even by April 2018 to identify the stamp fees receivable for the period from May 2015 to December 2017 and to recover from the Chief Secretary of the Sabaragamuwa Provincial Council.
- (b) Necessary action had not been taken even by April 2018 to identify court fines recoverable for the months of November and December 2017 and to recover from the Chief Secretary of the Sabaragamuwa Provincial Council.

## **3. Operating Review**

-----

### **3.1 Performance**

-----

The matters revealed in the execution of activities to be carried out by the Council such as regularize and control over the matters of public health, public utility services and public roads and comfort, facilities and wellbeing of the people under Section 4 of the Urban Council Ordinance are given below.

#### **(a) Solid Waste Management**

-----

A quantity of 5,040 metric tones of waste were collected to the Solid Waste Management Centre annually and bio degradable waste out of that, had been utilized for the manufacture of organic fertilizer. The solid waste such as plastic, polythene were collected about 2,016 metric tones and out of that about 1,512 metric tones had been recycled. The waste about 504 metric tones per year which could not be recycled collected in the Waste Management Centre had been dumped in an open area close to the

heap of garbage which faced to the earth slip. Nevertheless, a methodology to dispose the waste to the environment harmlessly had not been prepared even by April 2018.

**(b) Sustainable Development Goals**  
-----

Even though, the Urban Council had known the 2030 Agenda relating to the Sustainable Development Goals, the long term plans to upgrade the livelihood and the health of the people of the authoritative area of the Urban Council through the global indicators for that objectives had not been prepared even by May 2018.

**3.2 Human Resources Management**  
-----

- (a) The post of Secretary and 01 post of Librarian, 01 post of Pre-school teacher, 03 posts of Revenue Inspector, 01 post of Dispenser and 04 posts of labourers in the approved cadre had remained vacant and as such, a problematic situation had arisen to execute the respective duties efficiently and effectively.
- (b) Even though, 20 posts had been approved for the fire extinguisher unit of the Balangoda Urban Council, by the letter No.DMS/D/0217 of the Department of Management Services dated 15 March 2016, necessary actions had not been taken to fill those vacancies and as such the extinguisher unit had not been established properly even by April 2018.

**3.3 Operating Inefficiencies**  
-----

The following matters were observed.

- (a) Action had not been taken to obtain an assessment relating to the actual sales value of the land plots sold before the approval given for the block out plan in respect of 07 lands auctioned from the year 2008 to 2015 and to recover 01 per cent tax thereon. Further, action had not been taken to maintain a tax register in respect of selling lands.

**(b) Trade Stalls given on Sub-lease**  
-----

Even though, the lessee should not sell, transfer or sub-lease the possession of the trade stall or any part of the trade stall in terms of the respective agreements of leasing of said trade stalls of the bus stand, 02 trade stalls leased out on a monthly rental totalling Rs.10,100 had been given on a sub-lease totalling Rs.35,000. In addition to that, 07 trade stalls had been given on sub-lease contrary to the agreement entered in to for leasing out the trade stalls in the public fair. But no action whatsoever had been taken against relating to that, even by April 2018.

**(c) Widening of Trade Stalls given on Lease**  
-----

According to the lease agreements, a change of design or any other way change should not be made to the trade stall or any section of the public market. Nevertheless, a new section had been gathered to 02 trade stalls in front of the entrance of the public market and widened. In addition to that, internal walls of 04 trade stalls in the main bus stand had been demolished and connected so as to walk to each and every section internally but action had not been taken by the Council thereon.

**(d) Selling fish in Public Fair, Balangoda**  
-----

Even though, the agreements had been signed with the Urban Council to utilize 03 trade stalls as stores constructed in both sides of the public lavatory and adjoining it, in the public market, those trade stalls had been utilized for selling fish contrary to the agreement.

**(e) Selling Liquor Illegally**  
-----

The following matters were observed.

- (i) A fine of Rs.1,515,000 had been charged by the Assistant Commissioner of Excise Duty, Ratnapura to the Council on 08 May 2016 the Vesak Full Moon Poya day for the offence of keeping foreign liquor of 163,110 mili litres in the Balangoda Rest House belonging to the Council contrary to the conditions of the licence. That money had been paid by 09 installments as the agreement entered to pay the fine.
- (ii) In the case instituted at the District Courts, Balangoda against 3 accuses to recover the fine from the responsible parties amounting to Rs.1,515,000 paid by the Council, it was mentioned as charges that “the excise officers had raided the excess stocks of liquor kept in the rest house and the rest house was sealed”. Nevertheless, the matters had not been included as charges in the case filed by the Urban Council such as selling liquor on Wesak Full Moon Poya Day for which should be closed the licenced place as per the regulation of the Government mentioned in the notice of the cancellation/ suspension of the liquor permit under Section 27 of the Excise Duty Ordinance and the liquor brought from unauthorized place and stored in the licenced premises, obtained liquor without orders and stored liquor in a place which was not approved from the 6.3.12 permit.

### 3.4 Assets Management

#### Idle/ Under utilized Assets

The following matters were observed.

- (a) The motor grader machine received as a donation to the Council valued at Rs.24,928,666 had remained idle without being utilized since the year 2015.
- (b) The vibrant road roller machine purchased by the Council for a sum of Rs.1,900,000 in September 2013 had remained idle without being utilized since the year 2016.

### 3.5. Procurement Plan

Action had not been taken by the Council to prepare a Master Procurement Plan in terms of Guideline 4.2.1 (a) of Chapter 4 of the Government Procurement Guidelines.

## 4. Accountability and Good Governance

### 4.1 Budgetary Control

The estimated provision for the capital expenditure amounted to Rs.46.35 million and the actual expenditure thereon amounted to Rs.26.53 million. Thus, provisions of Rs.19.83 million or 43 per cent of the provisions had been saved. Accordingly, it was observed that the budget had not been made use of as an effective instrument of financial control.

## 5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Secretary from time to time. Special attention is needed in respect of the following areas of control.

<b>System</b>	<b>Deficiency</b>
(a) Accounting	(i) Failure to update the Register of Fixed Assets. (ii) Under statements and over statements of revenue, expenditure and assets, liabilities in the accounts. (iii) Un-reconciliation of balances of ledger accounts and registers.
(b) Motor Vehicle Control	(i) Failure to update register of motor vehicles. (ii) Fuel consumption tests of motor vehicles not carried out.
(c) Budgetary Control	Considerable savings in the provisions.
(d) Revenue Administration	(i) Non-recovery of estimated revenue. (ii) Non-recovery of arrears of revenue..
(e) Staff Management	Failure to fill vacancies.