

Balangoda Urban Council
Ratnapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to audit on 21 March 2019 and the summary report and the Detailed Management Audit Report of the Auditor General on the financial statements had been issued to the Chairman on 31 May 2019.

1.2 Qualified Opinion

In my opinion, except for the effects of the 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 Balangoda 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 Qualified Opinion

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(a)	The trade stall revenue received in advance amounting to Rs.46,358 had been set off against the trade stall revenue receivable.	The balances of assets and liabilities should not be set off each other.	The trade stall revenue received in advance and trade stall revenue receivable had been adjusted by the journal entries No.07, 08 and 09 in the year 2019.
(b)	Four lawsuits instituted in the courts against the Municipal Council and 3 lawsuits instituted by the Municipal Council had not been disclosed in the financial statements.	Should be disclosed in the financial statements.	These lawsuits are being examined in the courts. If any effect will be occurred in future from those lawsuits for the financial statements action will be taken to adjust or disclose in the financial statements.
(c)	Action had not been taken to rectify prior period errors amounting to Rs.175,709.	Action should be taken to rectify the errors and adjust the accounts.	The library books received as donations in the year 2017 had been rectified and accounted in the year 2019. Similarly, the library books removed as per the recommendation of the Boards of Survey Report of the year 2015 had been adjusted in the accounts of the year 2019.

(d)	Eighteen inventory items valued at Rs.57,770 had not been included to the value of the closing stock.	Stock items should be identified correctly.	Action was taken to include 375 white flags and 355 setting colour flags to the inventory register in the year 2019. Action was taken to enter white flags and setting colour flags to a separate register.
(e)	Machinery and equipment and furniture and fixtures totalling Rs.540,386 purchased in the year under review had not been capitalized.	Fixed assets should be capitalized.	The machinery and equipment purchased in the year 2018 had been included in the accounts of the year 2019 as non-current assets.
(f)	Library books costing Rs.39,947 and machinery and equipment furniture and fixtures of which sales value amounting to Rs.57,835 condemned by the Boards of Survey Reports of the year under review and the preceding year had not been adjusted to the relevant assets accounts.	The cost of removed assets should be adjusted in the accounts.	Action was taken to rectify the library books amounting to Rs.59,195 and to rectify the value of the machinery and equipment and furniture condemned by the Boards of Survey of the year 2017. The value of library books, machinery and equipment and furniture amounting to Rs.20,886 which identified and recommended to remove by the Boards of Survey in the year 2018 will be adjusted in the second quarter of the year 2019.
(g)	The value of 20 lands belonging to the Urban Council as at the end of the year under review had not been assessed and brought to account.	Action should be taken to assess the value of the fixed assets and take into account.	All other assets except lands and buildings has been included to the Assets Management Programme introduced by Sabaragamuwa Provincial Council at present and action will be taken to obtain the assessment value of the Department of Valuation for the lands and buildings and to include for the above programme.
(h)	Closing stock of the stores had been overstated in the accounts by Rs.3,487,377 during the year under review.	The correct value should be brought to account.	This difference was continuously shown in the closing stock and action will be taken to rectify it in the year 2019.

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| (i) | Sixteen payable balances amounting to Rs.776,932 as at the end of the year under review had not been brought to account. | Should be identified correctly and brought to account. | Action was taken to rectify the creditors payable amounting to Rs.446,843 and stores creditors amounting to Rs.330,089 and to adjust in the accounts in the year 2018. |
| (j) | Two hundred and seventy library books valued at Rs.78,741 received as donations in the year under review had not been brought to account. | Should be identified correctly and brought to account. | Action was taken to adjust the books received for the Public Library during the year 2018 in the accounts of the year 2019. |
| (k) | The opening stock and the closing stock of the Ayurvedic Centre belonging to the Sabha amounting to Rs.458,927 and Rs.369,262 respectively and the closing stock of the Sampath Piyasa amounting to Rs.5,039 had not been brought to account. | Should be identified correctly and brought to account. | The entering into accounts of the stock of Ayurveda Centre and the Sampath Centre could not be made due to a delay and all stock accounts will be brought to account in preparation of final accounts for the year 2019. |
| (l) | The rates and taxes received in advance as at the end of the year under review amounting to Rs.471,802 had been credited to the miscellaneous deposit account without being adjusting the rates and taxes control account. | The accounts should be prepared accurately. | Due to an error in the Computer System relating to rates and taxes, there was no possibility to enter the rates and taxes received for the future years. This was adjusted to the revenue of rates and taxes for January 2019. Action will be taken to rectify the Computer Programme and to avoid such errors in future. |
| (m) | A difference of Rs.558,589 was shown between the balances of 3 control accounts and the total of the individual list of balances thereon as at the end of the year under review. | The accounts should be prepared accurately. | The receivable money from a lessee for a trade stall which not legally vested and the account of the properties of the Sabha brought forward from prior years and the different arised due to understating of backhoe machine bills were adjusted in the year 2019 through the journal entries. |

1.4 Non-compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Value	Recommendation	Comments of the Accounting Officer
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		Rs.		
(a) Section 164(2) of the Urban Councils Ordinance	Action had not been taken up to December 2018 to recover a tax of 01 per cent recoverable from a lodge situated within the authoritative area of the Urban Council and registered in the Sri Lanka Tourist Board in the year 1987.	-	Action should be taken in terms of the provisions of the Ordinance.	Action is being taken to recover the 1% of tourist tax based on the receipts by obtaining the reports relating to that for the lodge registered under Tourist Board from the year 2019.
(b) Guideline 3.9.2 of the Procurement Guidelines – 2006 of the Democratic Socialist Republic of Sri Lanka.	The contractors of the Community Based Organizations should be selected by a committee of 3 persons consisting with 2 representatives nominated by the Chairman of the Urban Council and the Divisional Secretary. But action had not been taken accordingly in respect of 26 contracts.	11,993,714	The provisions of the Guidelines should be followed.	Under the Council decision, to execute the contracts by the approved societies the relevant contracts had been awarded to Community Based Organizations after obtaining the capacity certificate from the Divisional Secretary. Action will be taken to appoint a committee including 3 persons and execute the contract under Public Finance Circular No.01/2012.
(c) Section 3.1 of the Public Accounts Circular No.01/2012 dated 05 January 2012.	A contract had been awarded to a welfare society of Balangoda Grama Niladhari Division which could not be identified as a	1,968,143	Action should be taken in terms of the provisions of the circular.	The approval for this had been given under the Council decision, as the contracts could be awarded to the Community

Community Based
Organization.

Based Organizations
identified by the
Head of the
Department for
which could be
satisfied by the
Divisional Secretary.

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 2018 amounted to Rs.4,743,028 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.2,227,735.

2.2 Revenue Administration

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

The information relating 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	<u>2018</u>				<u>2017</u>			
	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.
(i) Rates and Taxes	8,590,000	8,991,122	7,993,892	4,012,406	8,276,000	8,372,029	8,887,800	3,015,177
(ii) Lease Rent	24,360,000	28,088,669	28,144,527	804,356	28,633,000	23,387,731	23,031,819	942,067
(iii) Licence Fees	4,000,000	3,804,125	3,804,125	-	4,042,000	3,165,883	3,165,883	-
(iv) Other Revenue	28,310,000	24,356,748	23,745,450	160,164	25,175,000	17,644,659	17,509,073	1,549,963

2.2.2 Rates and Taxes

Audit Observation

Necessary actions had not been taken even by March 2019 to recover arrears of rates and taxes amounting to Rs.3,306,474 of the preceding years. The revenue collected from rates and tax during the year under review had decreased by Rs.893,908 as compared with the preceding year.

Recommendation

Prompt action should be taken to collect the revenue.

Comments of the Chief Accounting Officer

Eventhough 3 posts of Revenue Inspectors were approved for the Urban Council only one Revenue Inspector employed in the year 2017 and as this officer had retired from service in the year 2018, the collecting of rates had been carried out by junior staff. Similarly, Special programmes for collection of rates had been held in the year 2017. The collected revenue of rates in the year 2018 had decreased as

compared with the preceding year.

2.2.3 Lease Rent

Audit Observation

Recommendation

Comments of the Accounting officer

Necessary actions had not been taken to recover arrears of lease rents of preceding years amounting to Rs.433,604 even by March 2019.

Prompt action should be taken to recover arrears of revenue.

These arrears of lease rent could not be recovered due to various reasons. Action was taken to refer to the Minister to write off these arrears. Further special programmes will be held during the year 2019 to recover other trade stall rent.

2.2.4 Stamp Fees

Audit Observation

Recommendation

Comments of the Chief Accounting Officer

Necessary actions had not been taken even by April 2019 to identify and recover the stamp fees receivable from Chief Secretary of the Provincial Council as at 31 December 2018.

Action should be taken to recover revenue.

The stamp fees schedules relating to the year 2017 was prepared and sent to Provincial Council and the Departmental fees relating to those documents were also sent to the Land Registry. Accordingly, the stamp fees relating to the year 2017 due to be receivable. The Land Registrar had been informed to send the schedules relating to stamp fees from January to December 2018.

2.2.5 Key Money and Property Tax

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) Necessary actions had not been taken to recover key money receivable relating to the years 2010 and 2013 from 03 trade stalls given on lease basis totalling Rs.314,748.

Action should be taken to recover revenue of the Sabha.

The respective Subject officers had been informed to take action to recover the key money of Rs.314,748.

- (b) Necessary actions had not been taken to recover property tax receivable for a period ranging from 03 years to 09 years amounting to Rs.47,610 even by April 2019. Action should be taken to recover revenue of the Sabha properly. Action will be taken to recover arrears of property tax remained receivable for over several years or if not legal action will be taken against them.

3. Operating Review

3.1 Performance

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

(a) By-laws

Audit Observation

Recommendation

Comments of the Accounting Officer

Action had not been taken even by March 2019 to impose by-laws to execute 70 matters out of 101 major matters under Section 157 of the Urban Council Ordinance.

Action should be taken to impose by-laws.

Action was taken to impose by-laws for the specialized activities of the Sabha and action was taken to impose by-law passed for other activities. In addition to that, the by-law of the Provincial Council was applied for the solid waste management.

(b) Solid Waste Management

Audit Observation

Recommendation

Comments of the Accounting Officer

Even though, about 504 metric tons of remainders of waste were collected in the Waste Management Centre per year after recycling of the waste, a methodology had not been prepared even by March 2019 to dispose the above remainders of waste to the environment without an adverse effect to the environment.

Prompt action should be taken in respect of the waste management properLy.

The action such as constructing of a burning fire place to re-cycle the solid waste dumped is due to be started. At present action is being taken to separate solid waste dumped and send to Ratnapura Municipal Council.

(c) **Sustainable Development Goals**

Audit Observation

Recommendation

Comments of the Accounting Officer

Even though, the Urban Council had aware the 2030 Agenda in respect of Sustainable Development Goals, action had not been taken to identify the sustainable development objectives to be achieved, and the targets thereon, based data and mile stones for targets as well as indicators to measure the progress according to their scope.

Action should be taken to prepare long term plans in respect of sustainable development objectives.

The Council had aware about this Agenda and the longterm plans is being prepared at present to upgrade the livelihood and health conditions of the people of the authoritative area of the Urban Council through the global indicators for that objective. The plans is being carried out already to execute some of the objectives out of above objectives. Ex:- Purify the sewerage and release to the environment through Gully Treatment System.

3.2 Management Inefficiencies

Audit Observation

Recommendation

Comments of the Accounting officer

(a) A fine of Rs.1,515,000 charged by the Assistant Commissioner of Excise, Ratnapura on 08 August 2016 due to kept foreign liquor 163,110 milli liters for sale contrary to conditions of the licence on 21 May 2016, the Wesak Full Moon poya day, in the Balangoda rest house belonging to the Council, had been paid by the Council subject to the recovery from the responsible parties. But action had not been taken by the Council to include the charge of selling liquor on Wesak Full Moon poya day mentioned in the charge sheet

Action should be taken to file all relevant charges as the charges of the lawsuit and to recover the money paid.

The lawyer of the Council had instituted a case in the High courts, Balangoda against 3 accuses to recover the fines charged by the Department of Excise due to the activity made contrary to the conditions of the licence on Wesak Full Moon Poya Day in the rest house of the Balangoda Urban Council. As several charges pointed out by the audit query that charges had been submitted in writing to the lawyer to include again for the case.

of the Assistant Commissioner of Excise in the lawsuit instituted against 03 accuses for recovering of fines money from the responsible parties.

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| (b) | The age analysis and detailed schedules had not been prepared in respect of the dishonoured cheques valued at Rs.596,080 and receivable rates valued at Rs.4,012,406. | The particulars required for audit should be furnished. | It was not possible to provide detailed schedules mentioned in the audit query in respect of dishonoured cheques due to that it was a total amount of several years. |
| (c) | The payable loan installments and interests totalling Rs.145,338,240 had not been paid from the year 2005 on behalf of the loans obtained from Local Loans Development Fund for the construction of Trading Complex with the bus stand. | The accounts should be settled periodically. | At the discussion held in the Chief Secretary's Office relating to the settlement of this loan, it was agreed to pay only loan amount and to write off the arrears of interest and also to restructure the loan and to pay in 15 years. Accordingly, the loan amount should be settled at the rate of Rs.769,680 in 180 installments from May 2019 to April 2034 according to the approval of the Council. |
| (d) | The local government pension contributions totalling Rs.779,422 relating to the previous years had not been settled even by April 2019. | The accounts should be settled periodically. | The balances of the Local Government pensions contributions will be reconciled with the Divisional Secretariats whether the balances were there relating to deceased officers. Required actions is being taken for the payments accordingly. |

3.3 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting officer
(a) A Supra Grade officer of the Management Assistant Service had been appointed in the year 2016 as acting for the post of the Secretary which vacant from the year 2001.	Action should be taken to fill vacancies.	Even though, the post of the Secretary in Sri Lanka Administrative Service of executive level was remained vacant from July 2001, it was informed to the office

of the Commissioner of Local Government and sent letters. This vacancy will be filled in future

- (b) Action had not been taken to fill 09 vacancies existed in 10 posts and as such it was a hindrance to execute the relevant work and functions. Action should be taken to fill vacancies. The respective officers are being informed quarterly in respect of these vacancies.
- (c) Even though, 20 posts for the staff of the Fire Brigade Unit of the Balangoda Urban Council had been approved by the Department of Management Services in the year 2016, the staff had not been recruited for above posts. As such that unit could not be established properly even by April 2019. The vacancies should be filled and the fire brigade unit should be formalize. As the recruitments for the posts of staff of the fire brigade should be made by the Department of Local Government, it was informed to the Department of Local Government relating to these vacancies.

3.4 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Without entering into an agreement including the conditions, that the seller will pay immediately 1 per cent of tax of the land value sold, only a sum of Rs.15,500 had recovered without making an evaluation relating to the selling price of 03 land auctions in the years 2015 and 2016.	Action should be taken to collect revenue in terms of the provisions of the Act.	Action was taken to inform the land owners to pay 1 per cent from the land blocks sold as pointed out by audit and to agree to pay 1 per cent on sales value for the land blocks not sold.
(b) A methodology to renew the registration of the Solid Waste Management Training Centre and to conduct solid waste operation assistant course not made available from the year 2017. Action had not been taken to award	Action should be taken to renew the registration of the training centre and to establish the course again.	With the transfer of the Public Health Inspector of the Balangoda Urban Council in the year 2017 who was the resource person and who conducted the above course, an evaluator was not available to conduct the Solid Waste Operation course. The applications of the

certificates even by April 2019 for 73 persons completed training in the year 2017.

persons who completed the training had been referred to the Vocational Training Authority for registration. The application renew the registration of the training centre had also been referred.

- (c) Even though, according to the budget of the year under review provisions of Rs.20,000,000 had been made by the Ministry of Provincial Councils for 04 projects for the improvement of Solid Waste Management Centre, those projects could not be implemented due to non-availability of the provisions.
- Action should be taken to improve the Solid Waste Management Centre.

In preparing the budget of the year 2018 the provisions of Rs.15 million and Rs.5 million had been made for Solid Waste Management Centre and plastic and polythene centre and for a burner of plastic and polythene respectively. No expenditure whatsoever had been incurred for this project due to not receiving the funds from Ministry of Local Government and Provincial Councils.

3.5. Assets Management
Idle and Under- utilized Assets

Audit Observation	Recommendation	Comments of the Accounting officer
----- The motor grader valued at Rs.24,928,666 received for the Sabha as donations had remained idle from the year 2015 due to an operator was not available.	----- The assets should be utilized in a useful manner.	----- As non-availability of a machine operator the machine received as donations could not be utilized. Required action is being taken to obtain approval to recruit of a machine operator.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting officer
----- A sum of Rs.31.68 million or 70 per cent out of the estimated provision of capital expenditure had been saved.	----- The adequate attention should be paid to use the budget as an instrument of financial control and the estimate should be	----- As non-availability of the provisions from Provincial Council and the line Ministries of Central Government, the expenditure estimated for capital

prepared and action expenditure could not be incurred. should be taken to achieve the targets. These matters are beyond the control of the Council.

4.2 Unresolved Audit Observations

Audit Observation	Recommendation	Comments of the Accounting officer
(a) Action had not been taken even by April 2019 to settle the unsettled advances of Rs.33,696,533 which could not be identified and brought forward prior to the year 2008.	Action should be taken to identify the advances properly and to settle.	It was not possible to find the registers to ensure the balance of the advance account amounting to Rs.33,696,533 brought forward prior to the year 2008. As, these advances had been settled, these were not accounted and as such the balance accumulated continuously and made a large balance. This balance had been informed to the Commissioner of Local Government to write off.
(b) The balance of money transfer account amounting to Rs.9,303,601 which brought forward from preceding years had not been settled even by April 2019	Action should be taken to identify the transactions properly and to be settled.	As the money transfers made prior to the year 2010 was not brought to account properly, a balance of Rs.9,303,601 was continuously remained in the money transfer account and action will be taken to settle in future.
(c) Action had not been taken to recover rest house charges and recoverable money from 98 rest house debtors for over a period of 07 years totaling Rs.1,033,459 as at 31 December 2018.	Action should be taken to recover revenue and receivable accounts.	It was decided to keep 20 per cent from service charges to cover the losses caused in the rest house in commencing of the rest house and action is being taken to recover the debtor balances of the rest house not recovered out of that amount at present.
(d) Two trade stalls leased out for a monthly rental totaling Rs.10,100 in the bus stand contrary to the lease agreement had been sub leased for a sum of Rs.35,000 while 07 trade stalls in public market also had been sub leased. Nevertheless, action had not been taken thereon even by March 2019.	Action should be taken in terms of the lease agreements.	A survey had been carried out already by the Sabha in respect of subleasing of trade stalls in public market and trade stalls in bus stand and a report had been prepared based on that details and referred to the Assistant Commissioner of Local Government. Accordingly, action will be taken in future.

- (e) Contrary to the lease agreement, the lessee had added a new portion and enlarged the 02 trade stalls in the entrance of the Public Market. In addition, to that the internal walls of 04 trade stalls of main bus stand had been removed and connected as possible to walk to each other. Nevertheless, the Sabha had not taken action thereon even by March 2019.
- Action should be taken in terms of the lease agreements.
- The officers of revenue section of the Sabha had carried out a survey already in respect of attaching new sections and making changes to the trade stalls. Based on that details a report had been prepared and it was referred to the Assistant Commissioner of Local Government for instructions. Further action will be taken according to those instructions.