

Balangoda Urban Council
Ratnapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to audit on 03 March 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statements had been issued to the Chairman on 23 July 2020 and 13 August 2020 respectively.

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 2019 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 value of 20 lands belonging to the Sabha had not been assessed and brought to account.	The all lands belonging to the Sabha should be assessed and brought to account.	Action has been taken to include all fixed assets for Assets Management System (AMS) and action will be taken to adjust those to financial statements after receiving the valuation reports thereon.
(b) A sum of Rs.735,086 incurred to purchase of fixed assets during the year under review had been brought to account under recurrent expenditure.	The expenditure relating to the year should be correctly identified and brought to account.	Action will be taken to rectify in the financial statements of the year 2020.
(c) The interest of Rs.54,128,411 written off in restructuring of the loan amount of Rs.111,209,828 obtained from Local Loans Development Fund had been credited to the loan account.	Action should be taken to rectify the balance of the loan account.	Action will be taken to rectify in the financial statements of the year 2020.
(d) Nineteen payable balances valued at Rs.132,058 as at 31 December of the year under review had not been brought to account.	All liabilities relating to the year should be included in the financial statements.	Action will be taken to rectify in the financial statements of the year 2020.

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| (e) | The recurrent expenditure of Rs.255,323 relating to the preceding year had been brought to account as the expenditure in the year under review. | The transactions relating to the preceding year should be correctly identified and brought to account. | Action will be taken to avoid this type of lapses in future. |
| (f) | The working debtors of the year under review had been overstated by Rs.1,152,218. | The liabilities relating to the year should be correctly identified and brought to account. | That will rectify in the year 2020. |
| (g) | The capital expenditure relating to the year under review had been under stated by Rs.130,899. | The expenditure relating to the year should be correctly identified and brought to account. | Action will be taken to rectify in the financial statements of the year 2020. |
| (h) | A sum of Rs.7,000,000 invested in the fixed deposits in January 2020 had been brought to account as an investment of the year under review. | The transactions relating to the year should be correctly identified and brought to account. | Action will be taken to rectify in the financial statements of the year 2020. |
| (i) | The machinery and equipment and furniture and fittings totalling Rs.1,415,086 purchased during the year under review had not been capitalized. | All fixed assets purchased during the year should be capitalized. | Action will be taken to rectify in the financial statements of the year 2020. |
| (j) | Action had not been taken to settle the dishonoured cheques of Rs.596,080 remained brought forward for over 10 years and dishonoured cheques of Rs.86,270 relating to the year under review. | Action should be taken to settle the dishonoured cheques. | Action will be taken to settle the balance relating to the year under review. |

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	Recommendation	Comments of the Accounting Officer
Section 154(1) and 157(6)(g) of the Urban Council Ordinance.	Action had not been taken to approve the by-law prepared in the year 2018 for regularization, administration and supervision of the advertisement hoardings in the limits of the Balangoda Urban Council and to recover advertisement hoarding charges even by 31 December 2019.	Action should be taken to get the approval of the by-law and to recover revenue.	The by-laws for this advertisement hoardings had to be revised from time to time and as such it was delayed. Action is being taken to refer the revised final draft for the approval again.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Council for the year ended 31 December 2019 amounted to Rs.1,604,413 as against the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.4,743,028.

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	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.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	8,745,000	8,149,957	7,356,497	3,021,434	8,590,000	8,991,122	7,993,892	4,012,406
Lease Rent	31,225,000	31,332,843	30,942,713	1,032,891	24,360,000	28,088,669	28,144,527	804,356
Licence Fees	4,710,000	4,406,843	4,378,290	-	4,000,000	3,804,125	3,804,125	-
Other Revenue	<u>42,950,000</u>	<u>30,774,124</u>	<u>64,446,547</u>	<u>12,979,122</u>	<u>28,310,000</u>	<u>24,356,748</u>	<u>23,745,450</u>	<u>160,164</u>
	<u>87,630,000</u>	<u>74,663,767</u>	<u>107,124,047</u>	<u>17,033,447</u>	<u>65,260,000</u>	<u>65,240,664</u>	<u>63,687,994</u>	<u>4,976,926</u>

2.2.2 Rates and Taxes

Audit Observation

The required actions had not been taken to recover arrears of rates and taxes of Rs.2,277,995 relating to the preceding years and an age analysis in respect of arrears of rates and taxes as well had not been prepared.

Recommendation

Action should be taken to collect arrears of revenue.

Comments of the Accounting Officer

Special mobile programmes to recover arrears of rates and taxes had been carried out, while the facilities were not available to obtain an age analysis report from the computer programme operated at present.

2.2.3 Lease Rent

Audit Observation

The arrears of lease rent and charges of Rs.354,444 for the preceding years had not been recovered.

Recommendation

Action should be taken to recover arrears of revenue.

Comments of the Accounting Officer

The cases had been filed in the courts to recover Rs.105,300 recoverable from the trade stalls of the bus stand and action will be taken to recover the balance money in future.

2.2.4 Court Fines and Stamp Fees

Audit Observation

Necessary action had not been taken to recover stamp fees of Rs.20,609,670 receivable from the Chief Secretary of the Provincial Council relating to the period from January 2014 to June 2019.

Recommendation

Prompt action should be taken to recover revenue receivable to the Council.

Comments of the Accounting Officer

The schedules to obtain stamp fees for the above period has been referred to the Provincial Council at present.

3. Operating Review

3.1 Performance

The matters revealed in respect of the activities that should be carried out by the Council 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 under Section 4 of the Urban Council Ordinance are given below.

Solid Waste Management

Audit Observation

Recommendation

Comments of the Accounting Officer

About 504 metric tons of solid waste which could not be recycled has collected per year while a methodology had not been prepared to dispose favorably to the environment about 1057 metric tons of solid waste stock which could not be recycled and dumped in an open land area near the landslide waste heap.

A proper methodology should be identified and executed to dispose the waste which could not be recycled.

Action will be taken to submit this matter to the General Meeting for instructions to dispose this waste stock without any harm to the environment or to obtain any other methodology. According to the decision of the General Meeting action will be taken to dispose this waste stock in the future.

3.2 Management Inefficiencies

Audit Observation

Recommendation

Comments of the Accounting Officer

The Local Government pension contributions totalling Rs.807,973 relating to the preceding years had not been settled.

Action should be taken to settle the pension contributions.

Necessary action is being taken to eliminate the contributions relating to the deceased employees and to pay balances to the Department of pension.

3.3 Human Resources Management Staff Vacancies and Excesses

Audit Observation

Recommendation

Comments of the Accounting Officer

- (i) The post of Secretary had remained vacant from July 2001 while an officer in Super Grade in the Public Management Assistant Service had been appointed to act in the post of Secretary from September 2016.

Action should be taken to fill necessary vacancies of the posts.

The office of the Commissioner of Local Government had been informed quarterly about this matter.

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| (ii) | Action had not been taken to fill vacancies existed in 01 post of Public Health Inspector, 02 posts of Librarian, 01 post of Management Assistant, 01 post of Revenue Inspector, 02 posts of Pre-school Teachers, 02 posts of Drivers and 01 post of Dispensar. | Action should be taken to complete the vacancies of posts. | The appointing authority had been informed relating to these vacancies continuously. |
| (b) | <u>Staff Loans</u>
Action had not been taken to recover a sum of Rs.104,517 receivable from an employee who vacated the post in the year 2018. | Action should be taken to settle the balances of staff loans. | Legal action is being taken to recover these loans. |

3.4 **Operating Inefficiencies**

Audit Observation

Recommendation

Comments of the Accounting Officer

The delimitations had not been carried out in respect of the area of 119 families living in the limits of the Balangoda Pradeshiya Sabha and the Balangoda Urban Council and as such a situation of non-receiving of rates totalling Rs.191,289 had arisen relating to above 119 units of rates.

Action should be taken to solve the delimitation problem.

It was referred to the Revenue Inspector to carry out a field inspection and to furnish a report in respect of the further action to be taken relating to the delimitation.

3.5 **Assets Management** **Assets not Recorded**

Audit Observation

Recommendation

Comments of the Accounting Officer

The Register of Fixed Assets and the detailed schedules for the fixed assets totalling Rs.451,950,444 and the detailed schedules for the stock in hand and money transfer account valued at Rs.14,721,402 had not been updated.

Assets registers and the detailed schedules should be maintained in an updated manner.

The valuation of land and buildings of the Sabha had been referred to the Department of Valuation and after completion of the valuation it will be included to the Assets Management Program.

3.6 Procurements
Contract Administration

Audit Observation

Recommendation

**Comments of the
Accounting Officer**

Action had not been taken to issue bid documents in respect of construction of the ceiling of the bus stand which contractual value amounting to Rs.478,000 and as such the bid documents submitted had to be revised subsequently. Therefore the opportunity had been deprived of by the Sabha to evaluate all bidders and for the selection of the bidder who substantially responded.

Procurements should be properly planned and executed.

In making estimates for calling quotations, only estimates for item No.01 to 09 had been prepared first and subsequently it was revised with item No.10 to 20 and furnished again. As all estimates had been sent to competitive parties there was no unreasonableness for the bidders.

4. Accountability and Good Governance
Unresolved Observations

Audit Observation

Recommendation

**Comments of the
Accounting Officer**

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- (a) The fine of Rs.1,515,000 charged by the Assistant Commissioner of Excise, Ratnapura on 08 August 2016 had been paid by the Council subject to the recovery from the responsible parties, due to keeping foreign liquor of 163,110 milli liters for sale on 21 May 2016, the Wesak Full Moon Poya day, in the Balangoda Rest House belonging to the Council, contrary to the conditions of the licence. A case had been filed against 3 defendants, to recover the fine from the responsible parties but the Council had not taken action to include other charges including the charge of selling liquor on Wesak Full Moon Poya day as the charges of the case which mentioned in the charge sheet of the Assistant Commissioner of Excise.

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

The Department of Excise had informed that the licence will be cancelled as selling liquor on poya day. This fine had been paid in 09 installments by the Sabha fund on the approval of the Chief Minister of the Provincial Council and on the basis of recovery from taking legal action against the employees who recruited on contract basis.

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| (b) The balance of the cash transfer account brought forward since preceding years amounting to Rs.9,303,601 had not been settled. | Action should be taken to settle the balance of the cash transfer account. | Action will be taken to settle in future. |
| (c) Action had not been taken to recover a sum of Rs.953,745 recoverable since for over 07 years from 98 rest house charges and rest house debtors. | Action should be taken to recover the revenue and debtor balances. | Action is being taken to recover debtor balances from the service charges in the deposit account and it is expected to settle the outstanding balances of rest house charges immediately. |
| (d) Two trade stalls leased out for a monthly rental of Rs.10,100 had been sub-leased for a sum totalling Rs.35,000. In addition to that 07 trade stalls had been sub –leased contrary to the agreement for leasing of trade stalls in the public market, but action thereon had not been taken. | Action should be taken in terms of the lease agreements. | A survey thereon had been carried out and the report relating to that had been referred to the Assistant Commissioner of Local Government for instructions and action will be taken in future according to the instructions. |
| (e) Twenty posts of the staff for fire brigade unit of the Balangoda Urban Council had been approved by the letter No.DMS/D/0217 of the Department of Management Services dated 15 March 2016, but necessary action had not been taken to fill those posts and as such the fire brigade unit had not been established properly. | The staff should be recruited and action should be taken to establish the fire brigade unit. | The recruitment of staff for the fire brigade unit has been carried out by the Department of Local Government. This had been informed to the appointing authority on 04 November 2019 and it is expected that action will be taken accordingly. |