

## Beruwala Urban Council

### ----- Kalutara District -----

#### 1. Financial Statements

##### 1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented for audit on 28 February 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 13 August 2020 and 30 September 2020 respectively.

##### 1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the part, basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Beruwala 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 Basics for the Qualified Opinion

###### a) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
-----	-----	-----
i. The under billings of stamp duty for the previous years had been stated in the Financial Statements as Rs 7,348,920 even though it had been Rs.7,233,655 therefore the stamp duty and the accumulated fund accounts had been overstated by Rs.115,265.	Should be accounted correctly.	Inform that actions would be taken to correct.
ii. Provisions on the Debtors had not been made for the Property Loan Interest not reimbursed of RS.312,896.	Should be accounted correctly.	Inform that actions would be taken to correct.
iii. The Capital Expenditure for the Physical Planning Program had been overstated by Rs.278,295.	Should be accounted correctly.	Inform that actions would be taken to correct.
iv. The Book Value of the Stock of Rs.5,039,404 had been accounted as the value of the stock other than accounting the physical stock.	Should be accounted correctly.	Inform that actions would be taken to correct.

**b) Unreconciled Accounts**

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
i. A difference of Rs.6,834,413 had been observed between the balances of 06 items of accounts in the Financial Statements of Rs.66,135,867 and its balances shown in the subsidiary registers.	The differences in the accounts should be reconciled and corrected.	Inform that actions would be taken to correct.
ii. A difference of Rs.271,702 had been between the balances of Fix Assets Accounts and the balances of Contribution to the Capital by Revenue and Donations Accounts.	Should be accounted correctly.	Inform that actions would be taken to correct.

**c) Contingent Account**

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
A balance of Rs.541,015 had been in the contingent account as at 31 December 2019 but actions had not been taken to settle that balance after recognizing it.	Should be accounted correctly.	Inform that actions would be taken to correct.

**d) Lack of Necessary Documentary to Evidence for Audit**

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
Accumulated value of Rs.72,383,152 on seven items of accounts could not be satisfactorily vouched during the audit due to non rendition of updated Fixed Assets Registers and the Subsidiary Documents.	Evidence should be rendered to confirm the balances showed in the Financial Statements.	Inform that actions would be taken to correct.

## 1.4 Non Compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Value Rs.	Non Compliances	Recommendations	Comments of the Accounting Officer
(a) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u>				
(i) F.R 371(b)(c)	396,000	Ad hoc Advances given to 05 offices on 13 instances had not been settled.	The advances should be settled as soon as the task had been completed.	Actions would be taken to correct in the future.
(ii) F.R. 571(1)(2)	11,427,589	Actions had not been taken against the Deposits expired.	Action should be taken according to the Financial Regulations.	Actions would be taken add them into the revenue.
(b) Public administration circular No 2016/30 of 2016 Dec 29		Fuel tests had not been carried out for seven vehicles.	Milometers should be fixed and fuel tested.	Milometers will be fixed wherever necessary.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the excess of expenditure over recurrent revenue of the Sabha for the year ended 31 December 2019 amounted to Rs.6,740,072 as compared with the excess of the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.33,233,072.

### 2.2 Revenue Administration

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

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2019				2018			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	16,461,500	17,169,637	16,109,093	17,958,303	16,336,400	16,908,314	10,531,001	19,668,035
(ii) Rent	21,847,100	18,125,671	18,455,085	5,909,262	19,870,600	11,149,153	8,971,404	2,177,749
(iii) License Fees	693,100	404,000	883,137	153,950	510,000	216,755	216,755	-
(iv) Other Revenue	13,454,100	10,000,000	3,264,095	10,000,000	210,000	125,875	125,875	-
	52,455,800	45,699,308	38,711,410	34,021,515	36,927,000	28,400,097	19,845,035	21,845,784

## 2.2.2 Performance in Collection of Revenue

### (a) Restaurant rent

Audit Observations	Recommendations	Comments of the Accounting Officer
The Rent for the restaurants relevant for the year under review had been Rs.593,141 and it had not been recovered Rs.247,143 out of that as at 31 December 2019 that was 42 per cent.	The arrears rent should be recovered as soon as possible.	Inform that the Urban Development Authority had been noticed to pay the arrears.

### (b) Hoarding Board Charges

Audit Observations	Recommendations	Comments of the Accounting Officer
The Hoarding Boards had been billed of Rs.210,000 annually without making an annual inspection to recognize the Hoarding boards that should be charged the charges but it had not been recovered Rs.153,950 that was 73 per cent out of that as at 31 December 2019.	The Arrears should be recovered as soon as possible.	Inform that the arrears as at 17 July 2020 had been Rs.144,250 and actions would be taken to recover the rest of the amount.

## 2.2.3 Court Fines and Stamp Duty

Audit Observations	Recommendations	Comments of the Accounting Officer
The Court Fines and Stamp Duty that should be recovered from the Chief Secretary of the Provincial Council and other officers as at 31 December 2019 had been Rs.10,000,000.	Arrears should be recovered.	Inform that the actions would be taken to prepare the documents and recover the revenue.

## 2.3 Payment of Surcharges

Audit Observations	Recommendations	Comments of the Accounting Officer
Surcharge amount of Rs.105,900 and the arrears contribution of Rs.211,800 had to be paid for an employee serves in the Sabha because of not paying the contribution for the Employee's Provident Fund from the month of May 2006 to August 2015. Actions had not been taken to recover the loss from the officers responsible of Rs.190,620 that included the amount of Surcharge and the amount of Rs.84,720 that should be recovered from the employee.	The Loss for the Sabha should be recovered from the officers responsible.	Inform that the relevant amount had been paid under the Approval of the Sabha.

## 3. Operating Review

### 3.1 Performance

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) <b><u>By-Laws</u></b> By-laws had been imposed only 5 matters out of 15 main matters under Section 157 of the Urban Council Ordinance as at 31 December 2019.	By-laws should be imposed on the matters that had not been imposed the by-laws.	Inform that 14 by-laws had been embraced.
(b) <b><u>Action Plan</u></b>  A Specific procedure to measure the progress of the activities entered n the Action plan was not available.	The progress of the activities should be measured.	Inform that it is expected to be done in the year 2020.
(c) <b><u>Not Allocating the Provisions</u></b> Budget provisions of Rs.11.85 million had not been allocated for physical Planning Programs even though Rs.23.35 millions had been estimated to allocate on 27 Projects mentioned in Annual Action Plan.	The Action Plan should be prepared according to the Annual Budget.	Inform that it is expected to be done in the year 2020.
(d) <b><u>Solid Waste Management</u></b> Methods that could be able to income like imposing Garbage Tax, Selling Garbage with a commercial value had been neglected as several instances. an environmental license had not been obtained for the place	A regular procedure should be made for the Solid Waste Management.	Inform that a Land for dumping garbage could be hardly found within the Urban Council authority and that lot of issues had being

where the garbage dumped and environmental issue had been arisen like unauthorized occupants and Bad smells, Breeding of flies.

prevailed with the Land used now.

(e) **Targets of Sustainable Development**

05 Targets of Sustainable Development had been recognized by the Sabha within the year under review and the performance report had been stated that a Sewing Course for 30 Women under the Target of Strengthening Women and providing Physical Plans, Roads and Infrastructure had been done.

The suitable methods to achieve the targets of Sustainable Development recognized should be implemented within the year under review.

Inform that the provisions had been allocated for implementing the targets but problem situations had been arisen when implementing some of the targets.

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

**Audit Observations**  
-----

**Recommendations**  
-----

**Comments of the Accounting Officer**  
-----

(a) **Employee Vacancies and Excess**

- |      |  |  |   |
|------|--|--|---|
| i.   | The Accountant and the Administrative Officer had been vacant and a Supra Grade Management Service Officer had been appointed to cover the vacant Secretary Post.          | Actions should be taken to fill the essential vacancies. | The Commissioner of Local Authority had been noticed.   |
| ii.  | A post for the Librarian, 03 posts for the Revenue inspectors and 02 posts for the Work Superintendant had been vacant in the approved Cadre.                              | The vacancies should be filled.                          | The post of librarian expected to be filled after appointing and the appointments for the posts of revenue inspector and the work superintendent had been canceled temporarily. |
| iii. | A Montessori had been carried out since the year 2012 but the actions had not been taken to enter the posts of Montessori teacher and the Assistant to the approved Cadre. | The Cadre should be approved.                            | Inform that it had been noticed to enter them into the Approved Cadre.  |
| iv.  | 07 vacancies had been in the primary Level Staff.  | The vacancies should be filled.                          | Inform that all the appointments had been canceled since 21 November 2019.  |

**(b) Employee Loans**

The loan balance that should be recovered had been incurred a balance over 10 years of Rs.91,428. The loan balance in arrears should be recovered. Inform that the Commissioner of Provincial Councils had been requested to write off the loan according to the order of the Public Accounts committee

**3.3 Management Inefficiencies**  
-----

<b>Audit Observations</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
The Meat Stall rent for the year 2019 of Rs.880,700 should be recovered.	The rent in arrears should be recovered for the year under review.	Inform that the legal actions had been taken to recover the rent in arrears.

**3.4 Controversial Transactions**  
-----

<b>Audit Observations</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
Rs.204,495 had been paid as an allowance to the Secretary of the Mathugama Pradeshiya Sabha for acting as the Secretary of the Beruwala Urban Council from 01 May 2019 to September 2019. According to the Section 12.3 of the Paragraph vii of the Establishment Code it should be paid for the officer who act only two third of the additional reward, it had been over paid Rs.153,930 against it.	The amount over paid should recharge.	Inform that amount over paid had been recharge.

**3.5 Assets Management**  
-----

**3.5.1 Idled and Underutilized Assets**  
-----

<b>Audit Observations</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
Fitness Center constructed by spending Rs.3,294,940 in Maradana and the Fitness Equipments had been idled without making any use nearly for two years.	It should be utilized for the Public in the Area.	Inform that actions would be taken to open it after the Election time.

### 3.5.2 Vehicle Utilization

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
Actions had not been taken to dispose 07 vehicles and 05 Trailers condemned by use since the year 2013.	Actions should be taken according to the Financial Regulations.	Inform that the actions are being taken to dispose.

### 3.6 Contract Administration

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
The contract for fixing 128 stone made name boards for the roads within the authority of the Sabha had not been finished within 06 months and actions had not been taken to fix 38 name boards that had purchased of Rs.760,000 as at the month of July 2020.	Actions should be taken to fix the name boards as soon as possible.	Inform that 90name boards had been fixed up to now and actions would be taken to fix the rest.

### 3.7 Audit Observations not resolved

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The observations regarding Sections 1.4.1(a), (c), (d) and (e) of my report on the Financial Statements for the year 2018 had not been corrected.	Actions should be taken to correct.	Inform that it would be corrected in the future.