

Ampara Urban Council
Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2019 had been submitted to audit on 02 September 2020 and the detailed management report was sent to the Chairman on 19 November 2020 and the summarized Auditor General's Report was sent to the Chairman on 04 December 2020.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph of basis for qualified opinion, financial statements give a true and fair view of the financial position of the Ampara Urban Council as at 31 December 2019 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Policies

Audit Observation	Recommendation	Comments of the Accounting Officer
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The accounting policies adopted for the preparation of financial statements were not disclosed in the financial statements.	Accounting policies should be disclosed.	Accepted.

(b) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) The value of 41 plots of land and 175 buildings occupied by the council had not been assessed and accounted for.	Values need to be assessed and accounted for.	Action will be taken to include it in the financial statements for the coming year.
(ii) The value of the Ampara bus stand with 25 shops worth Rs. 228,906,546, which was constructed by the Ministry of Local Government and handed over to the Council in 2017, had not been taken into account.	All assets must be accounted for.	Action will be taken to include it in the financial statements for the coming year.

(iii) The finished work value of Rs.1,092,950 for four industries carried out under council funds in 2019 had not been capitalized.	Assets should be capitalized.	Accepted. Action will be taken to include it in the financial statements for the coming year.
(iv) The completed work value of Rs.717,325 relating to the newly constructed room and toilet related to the renovation of the Senanayakapura Library, funded by the Ministry of Local Government in the year 2019, had not been capitalized.	Assets should be capitalized.	Accepted. Action will be taken to include it in the financial statements for the coming year.
(v) Three constructions amount of Rs.52,681,935 relating to the compost yard constructed by UNOPS and handed over to the Council in the year 2010 had not been capitalized.	Assets should be capitalized.	Action will be taken to include it in the financial statements for the coming year.
(vi) The waste disposal treatment unit of the compost yard, which was constructed by the Ampara Assistant Local Government Commissioner's Office in the year 2018 and handed over to the Council at a cost of Rs. 13,750,550, had not been capitalized.	Assets should be capitalized.	Action will be taken to include it in the financial statements for the coming year.
(vii) One cupboard and 12 tables with bins amounting to Rs. 139,723 purchased for the rest house were not capitalized.	Assets should be capitalized.	Corrections will be made in the coming year.
(viii) Exercise equipment amount of Rs.2,273,850 obtained for the body building center was capitalized as Rs.2,445,000 with overstating by Rs.171,150.	Must be properly accounted for.	Corrections will be made in the coming year.
(ix) The value of 19 children's play equipment purchased / donated and installed in 07 children's parks during the period from 1996 to 2016, had not been capitalized.	Assets should be capitalized.	Accepted. Corrections will be made in the coming year.
(x) The value of 49 vehicles and machinery belonging to the Municipal Council valued at Rs. 162,644,496 and the value and 04 vehicles not valued had not been taken into account.	All assets must be accounted for.	Accepted. Corrections will be made in the coming year.

(xi)	Two vehicles and machinery valued at Rs. 280,890 purchased during the year under review had not been capitalized.	Assets should be capitalized.	Accepted. Corrections will be made in the coming year.
(xii)	26 machines and machinery valued at Rs. 1,201,978 purchased during the year under review had not been capitalized.	Assets should be capitalized.	Accepted. Further inquiries will be made to rectify this and corrections will be made in the coming year.
(xiii)	The stamp duty income of Rs. 1,218,000 due for the years 2016 and 2018 had not been taken into account.	Accounts must be prepared correctly.	Corrections will be made in the coming year.
(xiv)	Office Salaries, Members' Allowances and Trainee Graduate Allowances amounting to Rs. 5,865,767 due from the Provincial Council for the year under review had not been accounted for.	Accounts must be prepared correctly.	Corrections will be made in the coming year.
(xv)	According to the register, billed courts fine revenue receipts for the year under review amounted to Rs. 2,348,209, but it was accounted for in the general ledger as Rs.1,898,755, therefore a sum of Rs.449,454 had been understated.	Accounts must be prepared correctly.	Corrections will be made in the coming year.
(xvi)	According to the register, the arrears stamp duty amount of Rs.3,239,971 due on 31 December of the year under review had not been mentioned in the financial statements.	Accounts must be prepared correctly.	Corrections will be made in the coming year.
(xvii)	The accounts were balanced by forging a debit note of Rs. 3,420,000 and a credit note of Rs. 2,550,000 in the other income account in arrears.	Accounts must be prepared correctly.	Corrections will be made in the coming year.
(xviii)	According to the register, billed stamp duty revenue receipts for the year under review amounted to Rs. 2,489,000, but it was accounted for in the general ledger as Rs.2,489,000, therefore a sum of Rs.358,000 had been understated.	Accounts must be prepared correctly.	Corrections will be made in the coming year.

(xix)	Provisions had not been made in the accounts for Rs. 313,250 to be paid for 02 construction industries carried out under council funds.	Provisions should be made for payable expenses.	Corrections will be made in the coming year.
(xx)	Provisions had not been made in the accounts for Rs.2,157,849 to be paid for 05 industries carried out under the provisions of the Ministry of Local Government.	Provisions should be made for payable expenses.	Corrections will be made in the coming year.
(xxi)	The cash in hand amount of Rs.367,985 to be paid to the contractors for 08 industries performed during the year under review had not been accounted for.	Provisions should be made for payable expenses.	Corrections will be made in the coming year.
(xxii)	Deposits receipts of Rs. 3,413,832 and deposits payment of Rs. 3,283,289 pertaining to the construction industry had not been accounted for.	All deposit receipts and payments must be accounted for.	Corrections will be made in the coming year.
(xxiii)	Credit provisions had not been made for Rs.576,263 due for the year under review.	Provisions should be made for payable expenses.	Corrections will be made in the coming year.
(xxiv)	Rs. 280,000 due from two advertising agencies for the year under review had not been accounted for.	Accounts must be prepared correctly.	Action will be taken to recover this amount in the future.

(c) Unreconciled Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
There was a difference of 6,868,478 between the balances of 08 account subjects in the financial statements prepared for the year under review and the books and documents related to them.	Differences need to be identified and corrected.	Corrections will be made in the coming year.

(d) **Lack of Evidence for Audit**

Audit Observation	Recommendation	Comments of the Accounting Officer
Evidences had not been presented for 07 assets items of Rs. 216,400,978 and 03 liabilities items of Rs.7,522,207.	Evidence confirming the account balance in the financial statements should be submitted.	Corrections will be made in the coming year.

1.4 Non-compliances

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

Instances of non-compliances with Laws, Rules, Regulations and Management Decisions are shown below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-Compliances	Recommendation	Comments of the Accounting Officer
	(Rs.)			
(a) Section 170A (2) of the Urban Council Ordinance	37,577,588	No action was taken to recover arrears of rates and taxes, shop rent and other revenue.	Action should be taken in accordance with the provisions of the Ordinance.	Arrangements are being made to recover arrears rates and taxes, rent and other revenue in accordance with Section 170A (2) of the Urban Council Ordinance.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i) Financial Regulations 177	-	The money collected at the rest house was not banked on a daily basis.	Financial regulations must be followed.	In some cases, this has not been done and a specific methodology has been developed for this purpose.
(ii) Financial Regulations 315	-	No action had been taken to provide proper security for the money collected daily at the rest house.	Financial regulations must be followed.	At present a locker drawer and a table are provided to keep the money safe.

(iii) Financial Regulations 571	568,029	Deposits exceeding 02 years as at 31st December of the year under review had not been dealt with.	Financial regulations must be followed.	A methodology will be formulated in this regard in the future.
(c) Public Administration Circular No. 30/2016 dated 29 December 2016	-	Fuel testing for 22 vehicles and machinery had not been carried out.	Circular must be followed.	A methodology will be formulated in the future.
(d) Gazette Notification No. 1533/16 dated 25 January 2008	-	Permits had not been issued for 07 places where environmental protection permits were to be issued.	Gazette must be followed.	Steps will be taken to issue licenses after discussing the issues that have arisen regarding these 07 locations with the relevant institutions.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2019 amounted to Rs. 12,360,541 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 15,582,732.

2.2 Financial Control

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Bank reconciliation statements had not been prepared for the 02 bank accounts of the council with a balance of Rs. 5,952,838 as at 31 December of the year under review.	Bank reconciliation statements should be prepared relating to the bank accounts.	I will look into the matter and take action in the future.
(b)	Although the current account balance maintained by People's Bank for collection and remittance of VAT and stamp duty was Rs. 1,716,314 as at 31 December of the year under review, it was not sufficient to settle the VAT of Rs. 3,106,386 payable as stated in the financial statements.	Adequate cash should be deposited and bank accounts maintained to settle the VAT payable by the Council.	The remittances collected from the stamp duty income in the People's Bank Account will be sent to the relevant institutions.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears Revenue

Information of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year are shown below.

Revenue Source	2019				2018			
	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Rates and Taxes	8,872,372	10,060,212	7,921,052	29,268,349	8,831,000	8,903,372	8,377,577	27,129,189
Rental	8,279,524	12,283,369	8,163,716	7,921,520	18,019,880	11,441,405	11,443,976	3,801,867
License Fee	2,941,958	2,941,958	2,942,019	0	1,404,000	3,227,021	3,227,021	0
Other Revenue	<u>36,730,744</u>	<u>4,387,775</u>	<u>2,793,635</u>	<u>3,877,120</u>	<u>29,295,475</u>	<u>35,991,983</u>	<u>35,619,662</u>	<u>1,413,000</u>
	<u>56,824,598</u>	<u>29,673,314</u>	<u>21,820,422</u>	<u>41,066,989</u>	<u>57,550,355</u>	<u>59,563,781</u>	<u>58,668,236</u>	<u>32,344,056</u>

2.3.2 Performance of Revenue Collection

Audit Observation	Recommendation	Comments of the Accounting Officer
The total recoverable income as at 31 December 2019 was amounted to Rs.62,017,349 and a sum of Rs.21,820,422 had been collected during the year under review. Accordingly, the revenue collection progress was at a low level of 35 percent.	Arrears income should be recovered promptly.	Action will be taken to use a methodology for this in the future.

2.3.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
The arrears rates and taxes amount of Rs.29,268,348 due for the period from 2012 to 31 December 2019 had not been collected.	Arrears rates and taxes should be recovered promptly.	Action will be taken in accordance with the Act to recover the arrears rates and taxes in future.

3. Operational Review

3.1 Performance

Following matters were revealed relating to the functions which should be performed by the Council to regulate and administrate public health, public utility services and public roads and luxury, convenience and welfare of the people under section 4 of the Urban Council's Ordinance.

(a) By-Laws

Audit Observation	Recommendation	Comments of the Accounting Officer
Under Article 157 of the Urban Councils Ordinance, by-laws were to be enacted to carry out key matters, but by the date of 31 December 2019 had not been enacted.	By-laws should be enacted for matters for which no by-laws have been enacted.	The standard by-laws have been adopted and several other by-laws are being drafted.

(b) Activities outside of Objectives

Audit Observation	Recommendation	Comments of the Accounting Officer
The Senanayakapura Library building which was renovated at a cost of Rs.904,676 for the use of the public in the area was not used for the relevant purpose and was given for the use of the Senanayakapura Samurdhi Development Officer's office without a formal agreement.	The library building should be used for the intended purpose.	The Samurdhi Development Officer has been temporarily allowed to perform her duties and arrangements will be made to remove it and set up a library in the future.

(c) Solid Waste Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The Central Environmental Authority (CEA) had not issued environmental permits for the sanitary landfill at the Council owned compost yard and the non-perishable waste recycling center due to non-compaction of non-perishable waste as prescribed by the Central Environmental Authority and prolonged dumping of classified non-perishable waste in the open air.	Necessary activities should be carried out as per the regulations of the Central Environmental Authority and the environmental permit should be obtained.	Closed with soil layers as instructed by the Central Environmental Authority but the waste is often piled up and arrangements have been made to obtain permits from the Central Environmental Authority. I would like to inform you that there are some delays as the waste should be sold and disposed of in accordance with government regulations.

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| (ii) The Sewage Treatment Unit which was constructed at a cost of Rs. 13,750,550 by the Ampara Assistant Commissioner of Local Government and handed over to the Council on 24t January 2018 was not in use, the Sewage brought into the yard were dumped in the same adjoining outdoor area as before. | The waste disposal treatment unit should be set up and used as it can be used. | Not answered. |
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3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
No action had been taken to recover Rs. 280,000 due on 31st December 2019 for two billboards displayed by two commercial establishments in the Urban Council area.	Advertising billboard fees, should be charged.	There will be a disciplinary inquiry into the fees on one billboard and action will be taken in the future to recover along with the fees on the other billboard.

3.3 Human Resource Management

(a) Employee Vacancies

Audit Observation	Recommendation	Comments of the Accounting Officer
As at 31 December 2019, there were 58 vacancies for 26 posts of staff in the Council and excesses of 02 officers for the post of Management Assistant.	Staff vacancies need to be filled.	Arrangements have been made to hire these employees on a contract basis in the future and then to make them permanent and 02 Management Assistants have been given more from the 2019 transfers and action will be taken to rectify this with the transfers this time.

(b) Non-performing Employee Loans

Audit Observation	Recommendation	Comments of the Accounting Officer
The amount of Rs. 130,920 due from a employee who vacated his post from the year 2018 had not been recovered by December 31, 2019.	Unpaid employee loans must be recovered.	The employee who has left the service is being paid the balance from time to time.

3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Although in accordance with the Circular No. 08/1/38 of the Director General of the Urban Development Authority dated 20 March 1985, all buildings should be inspected for compliance with the design and construction regulations of the Urban Development Authority and a certificate of conformity should be issued for the use of the building, Out of 109 building plans approved by the Municipal Council in 2016, 2017 and 2018, 105 plans had not been inspected and certificates of conformity had not been issued.	Certificates of Conformity are required for 105 building plans approved in 2016, 2017 and 2018.	All have been informed to issue Certificates of Conformity.
(b) According to the Extraordinary Gazette Notification No. 1597 dated 17 April 2009 of the Democratic Socialist Republic of Sri Lanka, for buildings occupied, used or utilized in a building without obtaining a Certificate of Conformity, the Urban Council should issue a Certificate of Conformity with a penalty of Rs.50 per day, but the Council had not done so.	A fine of Rs. 50 per day will be levied on buildings occupied, used or utilized in a building without obtaining the Certificate of Conformity in accordance with the Gazette Notification.	Fines will be levied in the future.
(c) By 18 September 2020, no action had been taken to take legal action against 21 unauthorized constructions pertaining to the year 2019, or to give the covering approval by charging the charges in accordance with the relevant gazette notification or to take any other action.	Appropriate action should be taken regarding 21 unauthorized constructions pertaining to the year 2019.	Out of the 21 unauthorized constructions for the year 2019, two have already submitted building applications. Three of them have already approved the plans and the rest have already been made aware.

3.5 Assets Management

3.5.1 Failure to Ensure Security of Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
Three vehicles worth Rs. 8,319,050, which had been taken out of service, had been in the premises of the Council for a long time facing to natural calamities.	Assets must be secured.	Not Answered.

3.5.2 Assets not acquired

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) No action had been taken to take over of 41 plots of land used by the Council.	The legal ownership of the property should be transferred to the name of the council.	About 18 plots of land have already been paid to the Survey Office for survey orders to take over the ownership of the lands owned by the Council and I will take action for the remaining lands in the future.
(b) The ownership of 18 vehicles and machinery worth Rs. 35,486,609, including 03 non-valued vehicles and machinery received by the Municipal Council from various governmental and non-governmental organizations during the period from 1983 to 2016, had not been acquired by the end of the year 2019.	The legal ownership of the vehicles must be transferred to the name of the council.	I will take necessary steps to acquire these in the future.

3.5.3 Idle and Under Utilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Three of the treadmills at the bodybuilding center were out of order due to repairs.	Machinery needs to be repaired and put to use.	I will repair these with the funds of the Council.
(b) 13 vehicles and machinery worth Rs. 4,778,945 received by the Urban Council from time to time during the period from 1986 to 2011, were parked in various places without being used for any purpose for a period of 1 ½ to 15 years.	Vehicles and machinery must be used.	On the advice of the Engineer, I will take action to repair or remove it in the future, taking into account the revenue status of the Urban Council.

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| (c) D3K dozer cat machine without the value and three vehicles and machinery worth Rs.32,083,984 were in idled condition in 2019 as only 889 hours of machinery were used. | Machines must be fully utilized. | In 2019, these vehicles were run for about 890 hours. |
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3.5.4 Vehicle Utilization

----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
35 vehicles and machinery owned by the Urban Council had not obtained revenue licenses for the year under review and 29 vehicles and machinery had not been insured.	Revenue licenses and insurance coverage are required for all vehicles.	For vehicles that do not yet have revenue licenses, I will make arrangements to obtain them in the future.

3.6 Identified Losses

----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
According to the current fuel balance rate used by the Council, for the 05 vehicles owned by the Council, 31,597 km which had been driven for the year 2019, the amount of fuel to be used is 5,158 liters but daily records show that 5,832 liters of fuel were used for this purpose and 674 liters of fuel were misused. The value of the excess fuel was Rs.75,277.	An inquiry should be conducted and the loss to the council fund should be recovered from those responsible.	Further steps will be taken for this.

4. Accountability and Good Governance

4.1 Furnishing Financial Statements

----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The financial statements to be submitted to the Auditor General before 31 March 2020 in terms of 15 (1) of the National Audit Act No. 19 of 2018, but were submitted on 02 September 2020 and, according to Section 16 (2) of the said Act, the Municipal Council had not submitted to the Auditor General the Annual Performance Report to be submitted with the financial statements for the year 2019.	Financial statements must be submitted within the time specified by law.	Arrangements will be made to present financial statements and annual performance report.