

Ambalangoda Urban Council
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2018 had been presented to audit on March 2019, the summary report of the Auditor General relating to those financial statements on 30 May 2019 and detailed management report on 14 June 2019 were sent to the Chairman of the Urban Council.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the part, basis for qualified opinion in my report the financial statements give a true and fair view of the financial position of the Ambalangoda 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

(a) Accounting Deficiencies

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(i)	There was a difference of Rs. 68,357 between the balance in the Fixed Assets Account and the balance in the Contribution from Revenue to Capital Outlay Account as at 31 December of the year under review.	The balance in the Fixed Assets Account should be equal to the balance in the Contribution from Revenue to Capital Outlay Account.	Will be corrected in due course.
(ii)	The balance in the Security Deposits Investments account had been understated in a sum of Rs.71,025 as at 31 December of the year under review.	Employees Security Deposits balance should be equal to the balance in the Security Deposits Investments Account.	Will be corrected in due course.
(iii)	Expenditure incurred amounting to Rs. 998,775 for development of Ketanthota Pre-school Compound belongs to the Sabha and the expenditure incurred amounting to Rs. 373,700 for the purchase of sports equipment for the stadium had not been capitalized.	Relevant Assets should be capitalized.	Will be corrected in due course.

- (iv) The loan of Rs. 6,842,682 obtained from the Local Loans and Development Fund during the year 2005 and interest amounting to Rs. 10,311,361 had not been shown in the financial statements as date of end of the eyear under review.

Action should be taken to include in the financial statements.

Will be corrected in due course.

(b) Non-reconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>There was a difference of Rs.13,782,388 between the balances relevant to 18 items of accounts totaling Rs. 52,344,424 included in the financial statements as at 31 December of the year under review and the balances according to schedules relevant to those.</p>	<p>Action should be taken to reconcile the relevant account balances and correct</p>	<p>Will be corrected in due course.</p>

(c) Accounts Receivable and Payable

Accounts Receivable

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Action had not been taken during the year under review too, to recover 06 account balances amounting to Rs. 17,092,768 brought forward during a period of more than 20 years.</p>	<p>Action should be taken to recover the amounts receivable.</p>	<p>Will be looked in to this and corrective action will be taken.</p>

(ii) **Accounts Payable**

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken during the year under review too, to settle payable balances amounting to Rs. 7,588,200 brought forward during a period from 6 years to 24 years and audit fees amounting to Rs. 2,400,174 relevant to past 5 years.	Action should be taken to settle payable balances.	Will be looked in to t corrective action will be tak

(d) **Lack of written evidence required for audit.**

Audit Observation	Recommendation	Comments of the Accounting Officer
Ten items of accounts totaling Rs.85,145,058 could not be satisfactorily examined due to non-submission of required information.	Evidence to support account balances shown in the financial statements should be furnished.	Corrections will be mad course.

1.4 Non-compliance

1.4.1 Non – compliance with Laws, Rules, Regulations and Management Decisions

Reference to Rules, Regulations and Management Decisions.	Value	Non-compliance	Recommendation	Comments of the Accounting Officer
----- Rs.	-----	-----	-----	-----
(a) Urban Councils Urban Councils Ordinance (Chapter 255) Sections 170 (1) (2)		Action in terms of Ordinance had not been taken for the recovery of rates.	Steps should be taken in terms of the ordinance to recover arrears of rates.	Action will be taken to conduct mobile services for recovery of rates.
(b) Financial Regulation of the Democratic Socialist Republic of Sri	275,614	Although ad-hoc sub imprest should be settled	Advances should be settled in terms of the financial	Action will be taken to correct during the year

Lanka. immediately after regulations. 2019.

(ii)Financial Regulation
371 (2) (b) (2) (b) immediately after completion of the relevant work, advances obtained at the beginning of the year 2018 had not been settled.

(ii)Financial Regulation
395 (d) Bank reconciliations of two bank current accounts of the Sabha had not been prepared. Bank reconciliations should be prepared in terms of the financial regulations. Action will be taken to prepare the bank recociliations.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2018 amounted to Rs. 39,909,490 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 22,496,098.

2.2 Revenue Administration

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

Information relating to Estimated Revenue, Billed Revenue, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year, as furnished are shown below.

Source of Revenue	2018				2017			
	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.
Rates and Taxes	14,525,000	20,497,155	11,409,382	23,681,395	9,700,000	7,376,943	8,359,471	14,593,622
Rent	14,197,000	9,186,693	8,539,491	13,182,082	9,438,000	8,187,806	10,434,541	12,534,880
License Fees	252,500	1,111,819	1,114,819	606,507	277,000	201,300	422,498	609,507
Other Revenue	114,777,933	95,262,346	123,076,312	86,163,590	128,739,000	101,778,935	106,019,023	113,977,556
	<u>143,752,433</u>	<u>126,058,013</u>	<u>144,140,004</u>	<u>123,633,574</u>	<u>148,154,000</u>	<u>117,544,984</u>	<u>125,235,533</u>	<u>141,715,565</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Recommendation	Comments of the Accounting Officer
----- While total revenue estimated during the year was Rs.143,752,433, revenue billed was Rs126,058,013. Although the total revenue recoverable amounted to Rs. 267,773,578 together with the opening arrears amounting to Rs.141,715,565, total amount recovered during the year had been Rs.144,140,004 and accordingly, arrears at the end of the year had been Rs. 123,681,395.	----- Identification of revenue, estimating billing and recoveries should be properly done.	----- Corrective action will be taken in due course.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Although the lease amount to be recovered during the year was Rs.35,090,777, recoveries had been Rs.11,409,382. Accordingly, there was balance in arrears amounting to Rs. 23,681,295. Progress in recovery was at a very low level of 33 percent.	----- Arrears of rates should be recovered.	----- Corrective action will be taken in due course.

2.2.4 Rent Income

Audit Observation	Recommendation	Comments of the Accounting Officer
----- While total rent income to be recovered during the year amounted to Rs. 21,721,573, recoveries during the year had been Rs. 8,539,491. Accordingly, there was an arrears balance of Rs. 13,182,082.	----- Action should be taken to recover rent according to the agreements.	----- Corrective action will be taken in due course.

2.2.5 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
A sum of Rs. 283,719 on account of court fines and a sum of Rs. 75,756,932 on account of stamp fees were receivable from the Secretary to the Provincial Council and other authorities as at 31 December of the year under review.	Action should be taken to recover amounts in arrears.	Letters have been sent to get the amounts in arrears from the Chief Secretary.

3. Operating Review

3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 4 of the Urban Councils Ordinance are shown below.

(a) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The Action Plan for the year under review submitted to audit had not been prepared in accordance with the by-laws imposed by the Council.	Action Plan should be prepared in accordance with the by-laws.	Action will be taken to prepare accordingly in future.
(ii) According to the Four Year Participatory Plan - 2016-2019, it had been planned to implement 38 works valued at Rs. 14,600,000 in 13 grama niladhari divisions situated in the area of authority of the Council in the annual plan for the year 2018. However 27 works for which agreements had been entered into, at a value of Rs. 5,223,213 had not been performed.		

(b) Solid Wastes Management

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i) While a separate wastes management unit had not been established as per Circular No. 2015/53 dated 20 April 2017 issued under the topic Proper Wastes Management, garbage collected in the area of authority of the Council had been dumped in the Garbage Yard at Rathgama, Monroviyawatta, and to the Halwathura land belongs to the Council and covered with soil.	A proper plan should be prepared for wastes management.	Action will be taken to prepare according to plan in the future.
(ii) Carbonic Fertilizer Crushing Machine purchased having spent Rs. 79,780 during the year 2003 had been kept in the stores, without being used for any purpose since the date of purchase.	Action should be taken to get the maximum use of the assets.	Action will be taken use in the future..

3.2 Human Resources Management

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Action had not been taken to fill 46 vacancies in the approved cadre plan.	Action should be taken to make recruitments for vacancies according to the cadre plan.	Corrective action will be taken in due course.
(b) A sum of Rs. 2,509,213 had been paid out of the Council Fund, to 46 employees recruited by the Council on substitutes basis, contrary to the Management Services Circular No. 28 dated 10 April 2006.	Action should be taken in compliance with the Management Services Circular.	Corrective action will be taken in due course.

(c) Staff Loans

Action had not been taken to recover loans amounting to Rs. 345,545 outstanding from 71 employees who had retired or vacated service.

Should recover from the guarantors of the relevant officers.

Action will be taken to recover.

3.3 Assets Management

Idle / Under-utilized Assets

Audit Observatio

Recommendation

Comments of the Accounting Officer

Action had not been taken to maintain or to repair 08 community halls situated in the area of authority of the Council for a number of years.

Action should be taken to repair and use the community halls.

The estimate is being prepared for the maintenance of community halls.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) There were savings in 06 items of expenditure totalling Rs. 15,178,011 of the budgeted provisions. It was in a range between 27 percent to 60 percent.

Realistic estimates should be prepared.

Attention will be made in the ensuing year in this connection.

(b) The total of the adverse variances of 04 revenue items amounted to Rs. 40,964,458. It was in a range between 25 percent to 71 percent.

Realistic estimates should be prepared.

Attention will be made in the ensuing year in this connection.

4.2 Audit and Management Committees

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Audit Observation	Recommendation	Comments of the Accounting Officer
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Audit and Management Committees to be conducted as per Circular had not been conducted.	Financial regulations and circulars should be complied with.	Action will be taken to comply with in the future.