

**Ampara Urban Council**  
**Ampara District**  
-----

**1. Financial Statements**  
-----

**1.1 Presentation of Financial Statements**  
-----

Financial Statements for the year 2018 had been submitted to audit on 15 July 2019 and the summarized Auditor General's Report relating to that was sent to the Chairman on 15 August 2019.

**1.2 Qualified Opinion**  
-----

In my opinion, except for the effect of the matters described in paragraph 1.3, financial statements give a true and fair view of the financial position of the Ampara Urban Council as at 31 December 2018 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 Deficiencies**  
-----

<b>Accounting Deficiency</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(i) The value of the lands and buildings, motor vehicles and carts owned by the council were not assessed and included in the financial statements..	Accounts must be prepared correctly.	Accepted. Steps will be taken to correct the accounts next year.
(ii) Completed work value of Rs.1,393,346 had not been capitalized relating to the construction work of the 03 construction industries carried out under the funds of the Council for the year 2018.	Accounts must be prepared correctly.	Accepted. Steps will be taken to correct the accounts next year.
(iii) The compost yard and vehicle yard, which had been built at a cost of Rs. 997,101, under the Provincial Specific Development Grant of 2018, were not capitalized.	Accounts must be prepared correctly.	Accepted. Steps will be taken to correct the accounts next year.
(iv) Provision had not been made for a sum of Rs.1,476,181 payable to 04 industries which was done under the Provincial Specific Development Grant for the year under review.	Accounts must be prepared correctly.	Accepted. Steps will be taken to correct the accounts next year.

(v) Provision had not been made in the accounts for a sum of Rs.748,926 payable to renovation of the 7 <sup>th</sup> lane, Nawangoda, which was done under the Provincial Specific Development Grants of 2018.	Accounts must be prepared correctly.	No comments.
(vi) Salary and member allowances receivable of Rs. 5,262,740, for the year under review were not accrued in the accounts	Accounts must be prepared correctly.	Accepted. Steps will be taken to correct the accounts next year.
(vii) Advertising charges of Rs. 320,000 receivable from 02 advertising agencies for the year under review had not been accounted for.	Accounts must be prepared correctly.	Accepted. Steps will be taken to correct the accounts next year.
(vii) According to the computerized records, the value of books purchased and donated in the year under review was Rs. 230,115 but it was accounted as Rs. 308,995.	Accounts must be prepared correctly.	Accepted. Steps will be taken to correct the accounts next year.
(ix) Provision for Rs.455,866 for the year under review had not been made available under the General supply creditors in the financial statements.	Accounts must be prepared correctly.	Accepted. Steps will be taken to correct the accounts next year.
(x) Fixed deposit interest receivable of Rs.263,009 for the year under review, relating to 02 fixed deposits owned by the council had not been accounted for.	Accounts must be prepared correctly.	Accepted. Steps will be taken to correct the accounts next year.

**(b) Un reconciled Accounts**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
Differences of Rs. 2,203,955 had been existed between the balances of the 05 accounts items in the financial statements prepared for the year under review, and the balance of the relevant books and documents.	Should be identified differences and corrected.	Accepted. I will take steps to correct the accounts by comparing the documents in the coming year.

**(c) Accounts Receivables and Payables**

-----  
**Accounts Payables**  
-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
No action had been taken to pay the Value Added Tax amount of Rs.3,106,385 to the Inland Revenue Department collected from the year 2009 to the year 2012.	VAT should be remitted to the Inland Revenue Department.	Accepted. Action will be taken to remitted to the Inland Revenue Department in the future.

**(d) Documentary Evidences not made available for Audit**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Four assets items amounting to Rs.158,600,241 and 03 liabilities items of Rs.14,859,005, could not be satisfactorily vouched in the audit due to not submitting documents, schedules, age analysis and balance confirmation certificates	Evidences for account balances shown in the financial statements should be submitted.	Action will be taken to prepare documents, schedules, age analysis and balance confirmation certificates in the future.

**1.4 Non-compliances**

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

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

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliances</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
(a) Employees Provident Fund Act No. 15 of 1958.	The Employees Provident Fund had been less remitted by Rs.375,147 for 22 employees in the year 2018.	Shall comply with the provisions of the Act.	Accepted. Action will be taken to transfer the Employees Provident Fund (EPF) in the future.

(b) Employees' Trust Fund Act No. 46 of 1980.	The Employees' Trust Fund had been less remitted by Rs. 93,864 for 22 employees in the year 2018.	Shall comply with the provisions of the Act.	Accepted. Action will be taken to transfer the Employees Trust Fund (ETF) in the future.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----			
i. Financial Regulations 396(d)	Action had not been taken on 18 cheques valued at Rs.51,468 which were over 6 months and not submitted for payments relating to 02 accounts.	Action should be taken in terms of the Financial Regulations.	Accepted. Action is being taken relating to this.
ii. Financial Regulations 571	Action had not been taken on deposits valued at Rs.4,351,367 which were over 2 years as at 31 December of the year under review.	Action should be taken in terms of the Financial Regulations.	Accepted. Action is being taken to transfer the deposit over 02 years to the income.
(d) Public Administration Circulars -----			
Public Administration Circular No. 30/2016 dated 29 December 2016	The fuel burn test had not been carried out relating to 24 vehicles owned by the council.	Action should be taken in terms of the circulars.	Accepted. Action is being taken relating to this.
(e) The Treasury Circular No. IAI/2002/02 dated 28 November 2002.	A separate fixed asset register was not maintained for the computers and accessories.	Action should be taken in terms of the circulars.	The fixed assets register is currently being prepared for computers and computer accessories.

## 1.4.2 Non-compliance with Tax Requirements

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) A sum of Rs.206,251 of VAT was paid to 3 industries in 2018 without obtaining a VAT invoice, without complying with Section 5.4.11 of the Government Procurement Guidelines 2006.	Shall comply with the guidelines	Arrangements have been made to obtain tax invoices in the future.
(b) In accordance with Section 5.4.12 of the above Guidelines, the Commissioner of Inland Revenue has not been informed with a copy to the Auditor General on payment of VAT on 15 day of the following month or before.	Shall comply with the guidelines.	Action will be taken to inform the Commissioner of Inland Revenue with a copy to the Auditor General in the future.

## 2. Financial Review

### 2.1 Financial Result

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2018 amounted to Rs. 15,582,732 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 16,744,657.

### 2.2 Financial Control

Audit Observation	Recommendation	Comments of the Accounting Officer
Bank reconciliation statements had not been prepared for the 02 bank accounts of the council amounting to Rs. 5,649,109 as at 31 December of the year under review.	Bank reconciliation statements should be prepared.	Accepted. Action had been taken to prepare the bank reconciliation of the People's Bank Accounts.

### 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.

	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	8,831,000	8,903,372	8,377,577	26,307,590	10,720,000	11,188,507	9,955,907	25,781,795
Rental	18,019,880	11,441,405	11,443,976	-	7,723,650	6,212,365	7,156,619	2,571
License Fee	1,404,000	3,227,021	3,227,021	-	866,000	1,939,152	1,939,152	-
Other Revenue	29,295,475	35,991,983	35,619,662	1,413,000	28,903,475	26,931,731	26,003,175	1,984,431

### 2.3.2 Performance of Revenue Collection

Audit Observation	Recommendation	Comments of the Accounting Officer
The total recoverable income as at 31 December 2018 was amounted to Rs.87,332,578 and a sum of Rs.58,668,236 or 67 per cent had been collected during the year under review.	Arrears revenue should be collect promptly.	Accepted. Action will be taken to recover in future.

### 2.3.3 Courts Fines

Audit Observation	Recommendation	Comments of the Accounting Officer
The courts fines receivable of Rs. 567,500 as at 31 December 2018 had not been recovered.	Arrears courts fines should be recovered.	Accepted. Action is being taken in the 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 Section 157 of the Urban Council Ordinance, by-laws were to be imposed to serve the main purpose, but by 31 December 2018, by-laws had not yet been imposed.	By-laws should be imposed for matters not enacted by-laws.	Accepted. Action will be taken in the future.

**(b) Action Plan**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
As the action plan for the year under review was not prepared, the objectives and expected activities needed to be achieved for the year were not identified.	An action plan must be prepared for each year.	Accepted. Action will be taken in the future.

**(c) Sustainable Development Goals**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The Urban Council was not aware of the United Nations' "Sustainable Development Agenda – 2030". Although the Sustainable Development objectives and Goals have been identified, the provisions have not been allocated in the action plan.	Sustainable development goals and objectives must be identified and established.	Accepted. Action will be taken in the future.

**3.2 Management Inefficiencies**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
With regard to the 03 bank accounts maintained by the Urban Council, the cash balance at the end of each month in the year under review was in the range of Rs. 6,246,996 to Rs. 33,927,458 and the action was not taken to make that money in a productive investment.	Excess cash in current accounts should be invested in fixed deposits.	Accepted. Action will be taken in the future.

**3.3 Human Resource Management**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) The post of Accountant in the Council had been vacant since 2010.	Vacancies of staff, to be filled.	No comments
(b) There were 61 vacancies for 26 staff positions as at 31 December 2018.	Vacancies of staff, to be filled.	No comments

**3.4 Assets Management**  
-----

**3.4.1 Assets not Acquired**  
-----

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
Action had not been taken to transfer the ownership of 42 lands and 14 vehicles are being utilizing by the Council.	Legal ownership of the properties and vehicles should be transferred to the Council.	No comments

**3.5 Procurement**  
-----

**3.5.1 Procurement Plan**  
-----

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
A procurement plan for the year 2018 had not been prepared according to the National Budget Circular No.128 dated 24 March 2006.	Procurement plan for each year should be prepared.	No comments

**3.5.2 Contract Administration**  
-----

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) A sum of Rs. 60,314 had been paid to the contractor for the work not done in connection with the construction of the upstairs toilet of the council office at a cost of Rs.327,297 under the Council Fund of 2018.	Payments for work not done should be recovered	No comments
(b) <b>Construction of Rest House of the Urban Council - Stage I</b> -----	Contract	No comments
i. Although the first stage of construction of the Rest House under the 2017 Council Fund should be completed within 06 months from 05 March 2018, as per the agreement, work had not been	construction shall be carried out in accordance with the Government Guidelines	

completed even at the audit date of 02 July 2019. The validity period of the performance bonds for the contract had been expired on 04 March 2019.

- |      |  |   |             |
|------|--|---|-------------|
| ii.  | According to the work item 7 of the quantity sheet, inexpensive LED bulbs were installed instead of hanging lamps valued at Rs.91,350. | Hanging lamps, paid for by the bill, must be installed. | No comments |
| iii. | According to the work item 8 of the quantity sheet, a sum of Rs.13,300 had been paid without fixing 35 meters of main wire.            | Payments for work not done should be recovered          | No comments |

**4. Accountability and Good Governance**

-----

**4.1 Furnishing Financial Statements**

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
-----	-----	-----
Financial Statements for the year 2018 had been submitted to audit on 15 July 2019.	Financial statements should be submitted within the statutory period.	No comments.