

Ambalangoda Urban Council
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2019 had been presented for audit on 11 March 2020 and the report of the Auditor General on 16 June 2020 and the Detailed Management reports on 30 June 2020 had been sent to the Chairman of the Urban Council.

1.2 Qualified Opinion

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

1.3.1 Accounting Deficiencies

Audit observations	Recommendations	Comments of the Accounting Officer
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A loan amounting to Rs.12,142,439 and the relevant interest of Rs.10,707,125 taken from the Local Loan Development Fund for the construction of a Rain drainage system in 2005 had not been shown in the Financial Statements.	Should be accounted correctly.	Noted that the action will be taken to correct in future.

1.3.2 Unreconciled accounts

Audit observations	Recommendations	Comments of the Accounting Officer
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There was an unreconciled amount of Rs.3,940,274 between balances of the Financial Statement and utility registers of 09 Accounting items as at 31 December of the year under review.	Action should be taken to correct the accounts after reconcile the balances of the accounts.	Action will be taken to rectify in future.

1.3.3 Receivable and Payable accounts

Audit observations	Recommendations	Comments of the Accounting Officer
(a) Receivable accounts		
(i) As according to the Letter No.CSS/9/2/5 of the Chief Secretary dated 12 February 2020 receivable Stamp fees and Court fines as at the end of year under review had been overstated by Rs.37,991,599 and Rs.448,838 respectably.	Should be reported after identifying the balances.	Action will be taken to correct after find out.
(ii) Action had not been taken to settle the receivable balances amounting to Rs.16,688,128 bought forward since more than 21 years.	Should be resolve and reported after identifying the balances.	Action will be taken to rectify after find out.
(b) Payable accounts		
Action had not been taken to resolve 09 balances totaling to Rs.10,645,572 bought forward from 25 years.	Action should be taken to resolve and correct after identifying.	Action will be taken to rectify after find out.

1.3.4 Lack of documentary evidence for audit

Non submission of information for audit.

Audit observations	Recommendations	Comments of the Accounting Officer
Necessary information regarding the fixed deposit amounting to Rs.469,182 had not been presented for audit.	Evidence supporting to the balances given in the Financial Statements should be submitted.	Action will be taken to rectify in future.

1.4 Noncompliance

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

References to the Laws, Rules, Regulations and Management decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Urban Council Ordinance			
----- Paragraph 170 (1) (2)	Action had not been taken to recover arrears of Assessment.	Steps should be taken to recover arrears of income as according to the Ordinance.	Action will be taken to recover while conducting mobile services for Assessment.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			

(i) Financial regulation 395 (d)	Bank reconciliation statements have not been prepared for electricity bank account and Environment Project bank account of the Council.	Action should be taken in accordance with the Financial Regulations.	Action will be taken according to the financial regulations.
(ii) Financial Regulation 571	Action had not been taken regarding 39 Miscellaneous deposits due more than 02 years.	Action should be taken as according to the Financial Regulations.	Action will be taken according to the financial regulations.

2. Financial review

2.1 Financial Results

According to the Financial Statements presented, the Revenue over Recurrent Expenditure of the Council for the year ended 31 December 2019 amounted to Rs.17,759,085 as compared with the corresponding Revenue over Recurrent Expenditure for the preceding year amounted to Rs.39,909,490.

2.2 Revenue Administration

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

The details of the Estimated Income, Billed Income, Collected Income and Arrears of income for the year under review and the preceding year are shown below.

Source of Income	2019				2018			
	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and tax	12,375,000	20,360,801	18,893,201	24,625,798	14,525,000	20,497,155	17,444,732	23,681,395
Rent	14,466,600	11,375,205	11,359,818	4,427,913	14,197,000	9,186,693	8,884,771	13,182,082
Permit fees	852,000	791,524	689,941	957,453	252,500	1,111,819	1,090,119	606,507
Other income	125,222,477	34,232,828	38,191,183	60,889,306	114,777,933	95,262,346	134,187,365	86,163,590
Total	152,916,077	66,760,358	69,134,143	90,900,470	143,752,433	126,058,013	161,606,987	123,633,574

2.2.2 Rent Income

Audit observations

Although as according to the Paragraph 05 of the Circular No. දපභ/පභකො/2010/01 of the Commissioner of Local Government every agreement to be updated for every 03 years, yet for 31 shop rooms in the bus station shopping complex agreements ageing 09 to 17 years were not update as above. The assessment tax had not been amended by a new assessment every 05 years as according to the Paragraph 06 of the Circular.

Recommendations

Action should be taken according to the Circulars.

Comments of the Accounting Officer

Action will be taken it rectify in the future.

2.2.3 Court fines and stamp duties

Audit observations

Stamp fees and Court fines to be received as at the end of the year amounted to Rs.21,360,332 and Rs.620,620 respectively as according to the Letter No.CSS/9/2/5 of the Chief Secretary dated 12 February 2020 yet as according to the Financial Statements it was shown as Rs.59,351,931 and 1,069,458 respectively.

Recommendation

Action should be taken to recover the arrears of income.

Comments of the Accounting Officer

Letters have been sent to the Chief Secretary to recover the arrears.

3. Operational Review

3.1 Performance

Facts observed relating to the execution of activities by the Urban Council in accordance with Section 4 of the Urban Council Act such as regulation of health of the general public, common utility services and public road facilities and maintenance of people's welfare, facilities and development are given below.

(a) Action plan

Audit observations -----	Recommendation -----	Comments of the Accounting Officer -----
(i) The Action plan presented for the year under review had not been prepared according to the enacted By-Laws.	The action plan should be prepared according to the By-Laws.	Action will be taken to rectify in future.
(ii) 82 industries total value at Rs.85,085,000 were planned to be opened in 13 Grama Niladhari Division within the area of authority of the Urban Council as according to the 2019 annual plan prepared as according to the Four-year corporate plan of 2016-2019. Yet only 03 industries belonging to the plan with the agreed total value of Rs.1,509,941 was established and as such the efficiency of establishing industries was 04 per cent.	Industries should be finalized as according to the Annual plan.	Action will be done accordingly in future.

(b) Solid waste management

Audit observations -----	Recommendation -----	Comments of the Accounting Officer -----
A separate unit for the management of solid waste and a long-term plan for the management of solid waste has not been established as according to the Gazette notification No.2015/33 of His Excellency the President dated 20 April 2017.	A proper plan should be made for waste management.	Action will be taken to prepare a plan in future.

3.2 Management inefficiencies

----- Audit observations -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Action had not been taken to enter in to an agreement with the Ceylon Electricity Board for the maintenance of street lights, therefore the maintenance of street lights expenditure from the year 2012 had not been recovered. While the maintenance expenditure of Rs. 5,365,341 incurred by the council during the last 03 years had not been reimbursed.	Action should be taken to recover the arrears.	Appropriate action will be taken in future.
(b) During the year under review, Rs. 148,760 had to be paid for the Pension Provident Fund relevant to an employee were kept in the miscellaneous deposit account.	Should be enter in to the correct documents	It is noted that the documents will be corrected.

3.3 Human Resource management

----- Audit observations -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Excess and Vacancies of the Cadre -----		
(i) A staff grade officer position, 12 positions at the tertiary level and 05 positions at secondary level were left vacant.	Action should be taken to fill the vacancies.	Action will be taken to rectify in future.
(ii) Two officers had been appointed for the Community Development Officer position and Information Technology Officer position but those position were not in the approved cadre.	Action should be taken in accordance with the Management Services Circular.	Action will be taken to rectify in future.
(iii) Steps had not been taken to confirm posts and amend the approved cadre or formalize posts of 51 Casual workers engaged in service.	Action should be taken according to the Circular of Management Services.	Action will be taken to rectify in future.

(b) Staff loans

Action had not been taken to recover staff loans amounting to Rs.475,450 to be recovered from 73 staff members who had transferred, retired or had left the service.

Should be collected from the guarantors of the relevant staff members. Action will be taken to recover.

3.4 Operational efficiency

Damage and losses

Audit observations

It was observed that 9007 units of 220 item categories were shortage as according to the Stock verification. Recording of receipt and issue of goods from the stores had not been done properly and the maintained of records were not done properly. Also, operation of stores was not done under a supervision of authorize Officer.

Recommendation Comments of the Accounting Officer

Maintenance of stores documents should be done properly. Action will be taken to correct in future.

3.5 Asset management

3.5.1 Idle/ underutilized assets

Audit observations

A garbage shredder was left to decay since a few years and action had not been taken to utilized or to dispose the machine.

Recommendation Comments of the Accounting Officer

Action should be taken to repair and use or to dispose. Action will be taken as relevant in future.

3.6 Procurement plan

Audit observations

A procurement plan was not prepared for the year under review.

Recommendation Comments of the Accounting Officer

A procurement plan should be prepared for the year under review. Action will be taken to prepare in future.

4. Accountability and good governance

Audit and Management committees

Audit observations

Although the Audit and Management Committees were established, Audit and Management committees meeting were not held within the year under review.

Recommendation

Audit and Management committees should be held.

Comments of the accounting officer

Action will be taken to rectify in future.