

Ambalangoda Urban Council
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary to the Council on 31 August 2015.

1.2 Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report financial statements give a true and fair view of the financial position of the Ambalangoda Urban Council as at 31 December 2014 and its financial performance for the year then ended cash flows in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following observations are made.

- (a.) The Street Lamps Allowance receivable from the Ceylon Electricity Board for maintenance of street lamps amounting to Rs. 350,000 for the preceding year had not been shown under Debtors.
- (b.) Deposits amounting to Rs. 4,992,722 as at 31 December of the year under review had not been classified and shown.
- (c.) Value of 2247 units of 33 stock items as at 31 December of the year under review had not been computed and shown in the financial statements
- (d.) Provision had not been made for Audit Fees for the year under review.

- (e.) The value of Computers and Spare Parts amounting to Rs. 989,700 purchased during the year under review had been accounted under Machinery and Equipment without being accounted under Computers and Accessories.
- (f.) Value of Proton Drum Truck vehicles bearing No.LL-6406 received from the Ministry of Local Government on 19 December 2014 had not been capitalized.
- (g.) While Interest Payable amounting to Rs.11,777,837 according to the letter of confirmation sent from the Local Loans and Development Fund and the loan of Rs.12,142,439 obtained for Garbage Management had not been accounted, loan obtained for the purchase of Gully Vehicle had been overstated in a sum of Rs.32,392.
- (h.) Although the Court Fines Revenue relevant to the year under review was Rs. 333,157, it had been shown as Rs. 375,000 in the financial statements.

1.3.2 Non-reconciled Control Accounts

There was a difference of Rs. 5,645,559 between the total of balances according to financial statements and the balances according to subsidiary registers relevant to 06 items of accounts.

1.3.3 Accounts Receivable

Action had not been taken during the year under review too, to settle sum of Rs.6,527,980 accounted as balances recoverable since a period of more than 04 years.

1.3.4 Lack of Evidence for Audit

Evidences such as up dated Fixed Assets Register, Schedules, Board of Survey Reports, updated Stocks Register and Loan Register and Confirmations of Balances connected with transactions totalling Rs.35,480,168 shown in the financial statements were not furnished to audit.

1.3.5 Non-compliance with Laws Rules and Regulations

Approval of the Council had been granted to spend a sum of Rs. 306,620 for the Urban Sports Event conducted on 13 February 2014 and a sum of Rs. 1,854,675 for distribution of exercise books among children living in the area of authority of the Council. However, sums of Rs.271,050 and Rs. 44,097 respectively had been spent for these activities out of the Council Fund, without sanction of the Minister in Charge of the Subject in terms of Sub-section 159(1)(f) of the Urban Councils Ordinance.

2. Financial and Operating 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 2014 amounted to Rs.20,948,592 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 16,862,377.

2.2 Revenue Administration

2.2.1 Rates

Following observations are made.

- (a) Recovery of Rates had been made on the basis of an assessment made prior to the year 2004.
- (b) A sum of Rs. 2,451,754 was due to be recovered from 26 Rates Units in arrears exceeding Rs.50,000 per unit, as at 26 January 2015, date of audit.
- (c) In spite of existing a balance of Rs. 10,263,829 as Rates in arrears as at 31 December 2014, the Council had not taken action to follow the property seizing procedure in terms of Section 170(2) of the Urban Councils Ordinance in order to recover revenue in arrears.

2.2.2 Lease Rent

The Council had not taken action during the year under review as well, to recover Lease Rent amounting to Rs. 2,706,846 due to be recovered relevant to the year under review and past years in terms of Section 170 (a)1 of the Urban Councils Ordinance.

2.2.3 Lease Rent of Stalls

Following matters were observed at the audit inspection carried out on 28 January 2015 with regard to leasing out the stalls belong to the Council.

- (i) While Lease Rent amounting to Rs. 1,092,541 was in arrears from 106 stalls as at the date of audit, Lease Rent in arrears since a period of more than 06 months due from 44 stalls was Rs. 870,831. Although 09 stalls out of these 44 stalls had been sealed and taken to the custody of the Council, action had not been taken by the Council in terms of condition No. 5:2:11 of the lease agreement with regard to the balance 35 stalls.
- (ii) Lease agreements of 4 stalls in the Bus Stand Trade Complex belongs to the Council, 5 stalls in Public Market Complex (Ground Floor) and 2 stalls in the New Public Market Complex (Ground Floor) had expired 05 years.
- (iii) Action in terms of conditions 06 and 07 of the lease agreement had not been taken with regard to stalls in the Polwatta Trade Complex.
- (iv) A Lease Rent of Rs. 94,460 was in arrears as at the date of audit from three lessees for the Urban Council Canteen situated in front of the Ambalangoda Urban Council Public Stadium.

2.2.4 License Fees

The Council had not taken action during the year under review as well, to recover License Fees amounting to Rs. 129,163 due to be recovered relevant to the year under review and past years in terms of Section 170 (a)1 of the Urban Councils Ordinance.

2.2.5 Courts Fines and Stamp Fees

Courts Fines amounting to Rs. 302,201 and Stamp Fees amounting to Rs. 48,043,398 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2014.

3. Operational Review

3.1 Idle Assets

Although it had been informed vide Circular No. PCMD/PR//2013 dated 05 Jun 2013 of the Secretary to the President to prepare by 05 September 2013, a scheme for disposal of old vehicles and machinery and equipment getting deteriorated without being used in Government Institutions, a Three Wheeler, a Tractor and a Hardy mach Tractor had remained getting corroded in the Council ground without action being taken even by 28 January 2015 for disposal.

4. Accountability and Good Governance

Budgetary Control

It was observed that there were variations of revenue between the budget estimates and the actual and there were savings in certain items of expenditure. Accordingly, it was observed that the budget had not been made use of as an effective tool of management.

5. Systems and Controls

Special attention of the Council is needed in the following areas of controls.

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management