

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 2014 while Financial Statements relating to the preceding year had been submitted on 28 March 2013. The Auditor General's Report relating to the year under review was issued to the Chairman on 23 December 2014.

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 2013 and its financial performance for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Public Sector Accounting Standards

Although all Local Authorities should prepare the financial statements according to the Sri Lanka Public Sector Accounting Practices with effect from 01 January 2011, in terms of circular No.PED/54 dated 19 January 2010 of the Director General of Public Enterprises, those standards had not been followed.

1.3.2 Accounting Deficiencies

Following observations are made.

- (a.) The Street Lamps Allowance receivable from the Ceylon Electricity Board for maintenance of street lamps for the preceding year had not been computed and shown under Debtors.
- (b.) Deposits amounting to Rs. 5,314,979 as at 31 December of the year under review had not been classified and shown.
- (c.) Interest Receivable for the last quarter of the preceding year amounting to Rs. 41,709 for investment of compensation money for acquisition of lands had been credited to the revenue for the year under review instead of crediting the Accumulated Fund.
- (d.) The Lump Sum Money in arrears as at 31 December of the year under review amounting to Rs.259,584 had been shown as Rs. 295,584 in the financial statements by understating the Debtors Balance in a sum of Rs. 36,000.
- (e.) Value of 2247 units of 33 stock items as at 31 December of the year under review had not been compute and shown in the financial statements.
- (f.) Two Fixed Asserts items valued at Rs. 152,000 and one item of which value not computed, had not been shown as Stocks in Hand in the financial statements.

1.3.3 Non-reconciled Control Accounts

A difference of Rs. 2,940,228 was observed between the total of balances according to control accounts relevant to 03 items of accounts and the balances according to subsidiary registers.

1.3.4 Lack of Evidence for Audit

Evidences such as up dated Loan Register, Register of Advances, and Confirmations of Balances and Age Analysis connected with transactions totalling Rs. 43,212,332 shown in the financial statements were not furnished to audit.

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 2013 amounted to Rs. 16,862,377 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.17,259,764.

2.2 Revenue Administration

2.2.1 Rates

In spite of existing a balance of Rs.9,716,670 as Rates in arrears as at 31 December 2013, the Council had not taken action to follow the property seizing procedure in terms of Section 170(2) of the Urban Councils Ordinance of 1988 in order to make recoveries.

2.2.2 Lease Rent and Trade License Fees

In spite of existing a balance of Rs. 2,639,196 as Stalls Rent and Rs. 109,852 as License Fees totalling to Rs.2,749,048 as at 31 December 2013, the Council had not taken action to make recoveries in terms of Section 170 (a)1 of the Urban Councils Ordinance-1988.

2.2.3 One Percent License fees

Although a License Fee of 1% should be recovered from the hotels, restaurants and lodging houses registered in the Sri Lanka Tourism Promotions Bureau on the basis of receipts during the preceding year, in terms of Section 164 of the Urban Councils Ordinance, One Percent License fee had not been recovered from hotels, restaurants and three lodging houses registered in the Sri Lanka Tourism Promotions Bureau and carrying on business in the area of authority of the Council.

2.2.4 Courts Fines and Stamp Fees

Courts Fines amounting to Rs.370,800 and Stamp Fees amounting to Rs.29,740,525 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31December 2013.

2.3 Surcharges

A sum of Rs.3,010 was outstanding to be recovered as at 31 December 2013 in connection with 02 surcharges imposed by me during previous yeas against persons responsible in terms of the Municipal Councils Ordinance.

3. Operational Review

3.1 Operating inefficiencies

The following observations are made.

(a.) Failure to get Reimbursement of Interest Paid for Property Loans

It had been stated that the difference between the bank interest rate and the 4% interest rate recovered from the officers will be borne by the Government, according to Clause 11.5 of the Public Administration Circular No. 08/2005 dated 31 March 2005. Although the property loans interest relevant to the property loans obtained by the officers of the Council amounting to Rs. 81,887 had been paid out of the Council Fund, action had not been taken get the reimbursement of that amount even up to 06 June 2014, date of audit.

(b.) Staff Loans

While recovery of Loan Balances in arrears due from 65 employees who were in service of the Council amounted to Rs. 107,190, the total of loan balance amounting to Rs.97,690 of 62 individuals out of them was in arrears for more than a period prior to the year 2009. The Council had not taken proper course of action to recover those loan balances.

(c.) “Sithum Sevena” Land Auction

A Development Permit had been given to Finance Company on 04 April 2008 by the Council for blocking out in order to develop a land in the name of Royal City in extent of 4 acres 2 roods 4.50 perches situated in Thalgasgoda.

According to the Orders of the Minister of Urban Development and Sacred Lands Development imposed in the Extra Ordinary Gazette Notification No. 1597/8 dated 17 April 2009, the Certificate of Conformity should be obtained before commencement of the auction. However 54 blocks of this land had been auctioned without obtaining the Certificate of Conformity. Accordingly, a sum of Rs. 27,500 receivable to the Council as Conformity Fees had been lost. The fine to be recovered for auctioning without a Certificate of Conformity up to 05 June 2014 amounted to Rs.93,000.

(d.) Dishonored Cheques

Although a cheque for Rs. 10,285 given by the Property Seizing Officer to the Council on 10 May 2010 had been dishonored, action had not been taken to recover that money up to 06 June 2014, date of audit.

3.2 Idle Assets

It had been informed to prepare a scheme for disposal of old vehicles and machinery getting destroyed without being used in Government Institutions by 05 September 2013, vide Circular No. PCMD/PR/2013 dated 05 June 2013 issued by the Secretary to the President with regard old vehicles and machinery getting destroyed without being used. Although it was observed in audit examination carried out on 06 June 2014, that a three wheeler, a hand tractor, a trailer and a cab vehicle totalling to a value of Rs. 692,990 were getting corroded in the Council Land, action had not been according to the instructions given in the Circular.

4. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

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