

Urban Council of Weligama

Matara District.

1. Financial Statement

1.1 Presentation of Financial Statements

Financial statements of 2019 had been presented for the audit on 28 February 2020. Auditor General's summary report of such financial statements and detailed management audit report have been sent to the Chairman on 09 June 2020 and 17 June 2020 respectively.

1.2 Qualified opinion

It is my opinion that financial status of Urban Council of Matara as at 31 December 2019 and financial performance thereof for the year ended by the same day are in compliance with generally accepted accounting principles and shown true and fair status by financial statements except the impact caused by matters described in the part of basis for the qualified opinion in this report.

1.3 Basis for the qualified opinion

(a). Accounting deficiencies.

Audit observation -----	Recommendation -----	Comments by Accounting Officer -----
(i) Stock balance of Rs.237,126 as at the end of the previous year was not stated in the financial statements and expenditure of the year under review had been over stated since that mistake was not corrected.	It should be accurately accounted.	Actions will be taken to correct it in financial statements of 2020.
(ii) 02 vehicles of the value of Rs.2,074,000 which had received as donation in the year under review had not been capitalized..	All fixed assets have to be accounted.	Actions will be taken to correct the same by comparing documents in future financial statements.
(iii) Fixed assets of Rs.158,649 purchased in the year under review had not been capitalized.	All fixed assets have to be accounted.	Actions will be taken to capitalize all fixed assets.

(iv)	Cost of fixed assets of Rs.475,438 auctioned upon recommendations of board of survey in year under review had not been excluded from accounts.	It should be accurately accounted.	Actions will be taken to exclude cost of fixed assets from books.
(v)	Live stock of Rs.1,712,790 as at the end of year under review had not been accounted.	It should be accurately accounted.	Corrective actions will be taken.
(vi)	Stock of street lamps equipment as at the end of year under review had been over counted by Rs.112,800.	It should be accurately accounted.	Corrective actions will be taken in future.
(vii)	In the year under review Council had purchased a stock of Ayurvedis drugs worth Rs.383,765 and it had been counted as donations resulting over counting head of revenue aid in the year under review.	It should be accurately accounted.	Corrective actions will be taken in future.
(viii)	Investment income of Rs.116,875 which was to be received for the year under review had not been accounted.	It should be accurately accounted.	Corrective actions will be taken in future.
(ix)	Payments of loan instalments of Rs.4,191,562 of domestic loan development fund in the year under review had been debited into income expenditure account and as a result surplus of the year had been stated less that value.	It should be accurately accounted.	Corrective actions will be taken in future.
(x)	Rentals of Rs.915,914 received in the year under review for the year to come had not been accounted under income received earlier.	It should be accurately accounted.	Corrective actions will be taken in future.
(xi)	Net income of Ranpohoniya Sales Center belonged to Council had not been counted and adjusted into account of income and expenditure and remaining stock of Rs.401,200 as at the end of the year under review had not been stated deducting from recurrent expenditure.	It should be accurately accounted.	Corrective actions will be taken in future.

(xii)	At the end of the year under review industries creditor balance had been accounted less by Rs.1,906,309	It should be accurately accounted.	Corrective actions will be taken in future.
(xiii)	At the end of the year under review industries debtor balance had been accounted over by Rs.255,986.	It should be accurately accounted.	Corrective actions will be taken in future.
(xiv)	At the end of the year under review no debtor allocation had been made for the balance of Rs.8,916,577 that should be paid into Pension contribution fund of Local Govt. Services.	It should be accurately accounted.	No allocation has been made by these accounts since it has not been identify as a specific expenditure.

(b) Non - reconciled accounts

Audit observation -----	Recommendation -----	Comments by Accounting Officer -----
Difference of total Rs.15,284,710 was observed between balance of 08 account subjects of Rs.173,578,226 which are included in financial statements and related documents and schedules thereto.	Actions have to take to reconcile differences of relevant balances and correct such accounts.	Future corrective actions will be taken.

(c) Unavailability of documentary evidences for the audit

Audit observation -----	Recommendation -----	Comments by Accounting Officer -----
It was unable to satisfactorily observe 12 account subjects being total Rs.133,454,690 since necessary information were not presented.	Evidences that prove account balances stated in financial statement should be forwarded.	Actions will be taken to update the fixed assets register, identify and settle the balance and accurately present proof certificates of balances.

1.4 Non - compliance

1.4.1 Non - compliance with rules, regulations and management decisions.

Occasions of Non - compliance with rules, regulations and management decisions are as follows.

Reference to rules, regulations and management decisions	Non - compliance	Recommendation	Comments made by Accounting Officer
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Financial Regulation 1646 of Democratic Socialist Republic of Sri Lanka	Daily running charts and monthly summaries pertaining to 14 vehicles and machineries of the Council had not been presented for the audit.	Actions have to be taken as per financial regulation.	At the moment another officer has been appointed. After Drivers were made aware of this matter, running charts are being received to the subject.

2 Financial Review

2.1 Financial Results

As per financial statements presented council income exceeding recurrent expenditure for the year ended by 31st December under review was Rs.34,205,597 and comparing with the previous year income exceeding recurrent expenditure was Rs.50,148,678.

2.2 Income Administration

2.2.1 Estimated income, billed income, collected income and arrears of income

Information of estimated income, billed income, collected income and arrears of income pertaining to year under review and previous year are as follows.

Income source	2019				2018			
	Estimated income	Billed income	Collected income	Total arrears as at 31 st December	Estimated income	Billed income	Collected income	Total arrears as at 31 st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates & taxes	15,850,000	12,489,385	12,424,862	8,039,040	13,050,000	12,501,257	11,615,984	7,974,517
Rentals	17,625,000	21,338,827	19,078,720	11,298,908	15,203,000	15,149,632	11,537,415	9,038,801
Permit fees	5,756,500	8,116,336	8,116,335	336,459	3,926,500	7,133,800	7,133,801	336,458
Other income	47,761,000	29,973,026	17,643,712	59,750,675	49,364,000	47,057,390	27,055,034	47,421,361
Total	86,992,500	71,917,574	57,263,629	79,425,082	81,543,500	81,842,079	57,342,234	64,771,137

2.2.2 Rates & Taxes

Audit observation	Recommendation	Comments by Accounting Officer
(a) Rates -----		
<p>Balance of Arrears of assessments as at the beginning of the year under review was Rs.7,655,788 and Rs.16,201,719 was to be recovered with Rs.8,545,931 being billings and surcharges of the year. At the end of the year there was a minus balance of Rs.8,039,090 since total recoveries within the year was Rs.8,162,629. Within this arrears balance of assessment taxes balances of total Rs.4,907,260 exceeded 03 years was included.</p>	<p>Arrears of assessment taxes should be recovered soon.</p>	<p>Red notices have been distributed to recover assessments and actions are being taken for prohibition of property.</p>

(b) Entertainment taxes

<p>Initial arrears was Rs.318,748 and sum of Rs.427,973 was to be recovered along with Rs.109,225 being billings of the year. At the end of the year arrears was Rs.345,351 since total recoveries within the year was Rs.82,622.</p>	<p>Arrears of entertainment taxes should be recovered soon.</p>	<p>Awareness has been made to recover entertainment taxes.</p>
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2.2.3 Rentals

Audit observation	Recommendation	Comments by Accounting Officer
Boutique rentals -----		
<p>Initial arrears was Rs.5,701,508 and sum of Rs.14,090,461 was to be recovered along with Rs.8,388,953 being billings and surcharges of the year. At the end of the year arrears was Rs.7,836,834 since total recoveries within the year was Rs.6,253,627. Within this arrears of boutique rentals balances of total Rs.1,062,697 exceeded 03 years was included</p>	<p>Arrears of rentals have to be recovered soon.</p>	<p>Actions will be taken to forward for legal actions and recover arrears.</p>

(b) **Rentals**

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| (i) Initial arrears was Rs.2,627,512 and sum of Rs.9,066,650 was to be recovered along with Rs.6,439,138 being billings and surcharges of the year. At the end of the year balance of arrears was Rs.3,472,073, since total recoveries within the year was Rs.5,594,577. Arrears of Rs.862,886 that should have been recovered from renting out Council property for a period over 23 years was included within this arrears and no legal action had been taken by the Council into that matter. | Arrears should be recovered soon. | Actions will be taken to recover arrears through legal actions. |
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2.2.4 Permit Fees

Audit observation

Recommendation

Comments by
Accounting
Officer

Initial balance of arrears was Rs.336,459 and sum of Rs.8,116,336 was to be recovered along with billings of the year. Although all billings had been received, no amount from the balance of arrears had been recovered.

Arrears of permit fees should be recovered with no delay.

Actions have been taken to file case to recover arrears of permit fees.

2.2.5 Other income

Court fines and stamp fees

Audit observation

Recommendation

Comments by
Accounting
Officer

At the end of the year under review sum of Rs.136,101 being court fines and Rs.59,614,574 being stamp fee were to be received from Chief Secretary and other authorities of Provincial council.

Arrears of income should be recovered soon.

Requests have been made to obtain arrears of income.

3. Operating Review

3.1 Management inefficiencies

Audit observation	Recommendation	Comments by Accounting Officer
No action has been taken to act and prepare a program to regularize as per sections 74 and 84 of Urban Council Ordinance pertaining to 13 out of 17 unauthorized constructions which had been reported from the year 2017 to 2019.	Actions should be taken as per the Act.	Actions will be taken to identify, remove or legalize unauthorized constructions.

3.2 Human Resources Management

Audit observation	Recommendation	Comments by Accounting Officer
(a) Vacancies and excess of cadre		
No action had been taken to fill 05 vacancies of approved posts and regularize surplus of 37 cadre	Vacancies of the staff should be filled.	Actions have been taken to recruit for vacancies of primary posts and other posts and vacancies of senior and secondary posts have been informed.
(b) Only one Health Overseer had been deployed for the supervision of 18 Work field Labourers and 62 Health Labourers and no action has been taken to fill vacancy of the post of Work/ Field Overseer.	Vacancies of the staff should be filled.	Information of staff pertaining to vacancy of work/ Field Overseer has been referred and informed.
(c) Salaries and allowances of Rs.5,279,080 had been paid from Council fund for 10 Work Field Labourers and 04 Health Lanourers in the year under review and there had been risk of disturbing public welfare, health affairs and road maintenance affairs as a	Assignment of duties should be done for designations recruited	14 Health and Work Field Labourers have been deployed in other duties on service necessities and duty list given.

result of assigning different duties of the Council without proper assignment of duties. In addition, 09 Health Labourers had been recruited on contract basis.

3.3 Operating inefficiencies

Audit observation	Recommendation	Comments by Accounting Officer
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(a) As per section 05 of circular No. SPC 6/5/ General dated 27 December 2010 issued by Southern Provincial Commissioner of Local Government, agreements entered into with boutique room owners should have been updated once in 03 years, But no actions had been so taken pertaining to 77 boutique rooms.	Actions should be taken as per circular.	Actions are being taken to update boutique rooms agreements.
(b) Although valuation amount of boutique rooms concerned should have been amended once in 05 years as per circular in above (a), there were 21 boutique rooms of which were not so amended.	Actions should be taken as per circular.	Actions are being taken to carry out valuations for boutique rooms.
(c) From the year 2007 there had been an arrears of Rs. 1,370,602 since no actions had been taken to recover rentals as per section 4 of circular stated in above paragraph (a).	Actions should be taken as per circular.	A sum of Rs. 225,000 from total arrears has been recovered and legal actions are being taken to recover balance of arrears.

3.4 Assets Management

3.4.1 Non Assurance of protection of assets

Audit observation	Recommendation	Comments by Accounting Officer
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No actions had been taken by the Council pertaining to unauthorized use of 03 lands of 06 perches and 02 lands of which extent was not available in documents.	Actions should be taken to inspect and regularize unauthorized constructions.	03 Council lands were surveyed and actions are being taken at the moment to survey other lands too, make barbed wire fences and fix name boards.

3.4.2 Non vested assets.

Audit observation	Recommendation	Comments by Accounting Officer
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04 vehicles belonged to State Institutions were being used by the Council no actions had been taken to take over even by 31 st December 2019	Actions should be taken to take over to Council all vehicles being used.	Actions will be taken in future to take over to Council.

3.4.3 Idle / under utilized assets

Audit observation	Recommendation	Comments by Accounting Officer
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(a) 03 council lands of 01 acre 01 rood 12 perches and 02 lands of which extent not stated had been inactive without using for a productive purpose.	They should be used for productive purpose.	Actions will be taken to use for a productive purpose after surveying and state the extent of unregistered lands.
(b) Even by the end of the year under review 10 Council buildings had remained inactive	They should be used for productive purposes.	Estimates have been prepared for reconstruction of certain buildings and even materials have been brought for the reconstruction of two buildings. Such activities have become delayed due to Corona epidemic.
(c) 03 vehicles which had been removed from running as per Assets and Management Circular No. 01/2018 dated 19 th March 2018 issued by Secretary to the Treasury had not been disposed even by the end of the year under review.	Disposal activities should be done in case of unusable vehicles.	This matter has been referred to Secretary of Local Govt. on 02 March 2020 for the approval needed for the disposal.

4. Accountability and good governance

4.1 Internal Audit

Audit observation -----	Recommendation -----	Comments by Accounting Officer -----
Sufficient internal audit had not been carried out for the year under review.	Sufficient internal audit has to be done.	Affairs related to internal audit will be carried out in proper methodology in the future.