

## **Weligama Urban Council**

### **Matara District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 11 March 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. Auditor General's Report for the year under review was sent to the Secretary to the Urban Council on 21 July 2015.

##### **1.2 Opinion**

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Weligama Urban Council as at 31 December 2014 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 Accounting Deficiencies**

Following deficiencies are observed.

- (a) Instead of debiting the Library Account in a sum of Rs. 52,400 having credited the Contribution from Revenue to Capital Outlay Account in order to correct the error in crediting the value of Library Books amounting to Rs. 26,200 purchased during the preceding year to the Library Account, Surpluses and Deficits Account had been debited.
- (b) Instead of debiting the Creditors Account in order to write-off Creditors provision of Rs. 500,000 relevant to the preceding year, the Contribution from Revenue to Capital Outlay Account had been debited.
- (c) Instead of crediting the Creditors Account in order to correct the error in write-off of Creditors provision relevant to a construction work relating to the preceding year, a sum of Rs. 30,715 had been credited to the Surpluses and Deficits Account having debited the Creditors Account.

- (d) Instead of debiting the Stocks Account in a sum of Rs. 285,861 in order to make provision for Stores Creditors for the year under review, the Surpluses and Deficits Account had been debited.
- (e) Although a sum of Rs. 3,924,380 had been paid as an advance to a private company for Stage 1 of the construction of Super Shopping Complex of the Sabha, it had been shown as Rs. 3,999,630 in the financial statements. Due to that amount overstated in accounting was Rs. 66,250.
- (f) Rest House Rent outstanding amounting to Rs. 93,437 as at the end of the year under review had not been shown in the financial statements.
- (g) Fixed Assets valued at Rs 507,600 purchased during the year under review had not been accounted.
- (h) Although Stamp Fees in arrears as at the end of the year under review was Rs. 3,270,890 according to the main ledger, it had been omitted in accounts without being accounted as Revenue Debtors.
- (i) The sum of Rs. 275,022 to be recovered as no pay leave from 05 employees as at the end of the year under review had been omitted from the accounts.
- (j) Stock of Street Lamps valued at Rs. 783,767 in the stores as at the end of the year under review had been omitted from the financial statements.
- (k) While 10 Mobile Trade Booths had been received as donations from the Ministry of Provincial Councils and Local Government during the year under review, value of those had not been assessed and accounted.
- (l) The Trailer bearing No.WPRW-8998 valued at Rs. 345,000 received as donations during the year under review had not been accounted.

### **1.3.2 Unreconciled Control Accounts**

While the total of balances relevant to 10 items of accounts according to the financial statements as at the end of the year under review was Rs. 24,742,906, according to the subsidiary registers and information furnished the total of those balances had been Rs. 15,542,631. Accordingly the deference was Rs. 9,290,275.

- (a) Although the value relevant to 14 items of revenue according to the Revenue Ledger was Rs. 2,043,945, according to Batch Totals Register, that value had been Rs. 2,753,653. Accordingly the deference was Rs. 709,708.

### **1.3.3 Accounts Receivable and Payable**

- (a) The value of Accounts Receivable as at 31 December 2014 which had elapsed more than a year was Rs. 5,922,637.
- (b) The value of Accounts Payable as at 31 December 2014 which had elapsed more than a year was Rs. 120,298,990.
- (c) No-settled Loan Balances
- (i.) Action had not been taken to settle 11 accounts valued at Rs.7,637,021 according to the financial statements presented as at 31 December 2014, even as at 23 April 2015.
- (ii.) Action had not been taken to settle Stores Creditors balances totalling Rs.1,282,767 which were being brought forward and included in the General Supplies Creditors balance of the year under review.
- (iii.) Action had not been taken to recover Debtors balances totalling Rs.4,737,378 which were being brought forward and included in the Revenue Debtors balance of the year under review.

### **1.3.4 Lack of Evidence for Audit**

Age Analysis relating to Assets valued at Rs. 55,624,678 and Age Analysis, and Confirmation of Balances relating to Creditors valued at Rs. 16,547,842 had not been furnished to audit.

## **2. Financial Review**

### **2.1 Financial Results**

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Council for the year ended 31 December 2014 amounted to Rs. 2,728,198 as compared with the corresponding excess of recurrent expenditure over revenue for the preceding year amounted to Rs.319,552.

### **2.2 Revenue Administration**

#### **2.2.1 Performance in Revenue Collection**

Information relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review as furnished by the Chairman is shown below.

Items of Revenue	Estimated Income	Actual Income	Cumulative Arrears as at 31 December 2013
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	Rs.000	Rs.000	Rs.000
Rates	8,300	8,818	5,136
Lease Rent	13,235	9,644	7,372
License Fees	1,005	1,560	336
Other Revenue	178,982	168,917	55,624

#### **2.2.2 Rates**

While arrears for the preceding years amounted to Rs.5,103,124, recoveries of arrears during the year had been Rs.1,865,227. Accordingly progress relating recovery of Rates in arrears had been 27 per cent. While the amount billed for the year 2014 was Rs.5,926,885, receipts out of that had been Rs.3,393,455 and progress of recovery had been 57 per cent.

Although 1552 Detraining Orders during the year 2013 and 1208 Detraining Orders during the year 2014 had been prepared for recovery of Rates in arrears, those orders had not been signed by the Chairman. Handing over of Warrants to Proscribing Officers too had not been done. Seizing of any properties had not taken place as well.

### **2.2.3 Lease Rent**

While value of Lease Rent billings for the year under review it was Rs.2,950,386, receipts had been Rs.2,271,105 and progress of recovery had been 76 per cent. Any recovery had not been made out of arrears amounting to Rs.2,334,619 relevant to preceding years.

### **2.2.4 Court Fines and Stamp Fees**

Money receivable as at 31 December 2014 from the Chief Secretary and other authorities of the Provincial Council are shown below.

	Rs.
(a.) Court Fines	582,236
(b.) Stamp Fees	3,270,890

Stamp Fees for deeds relevant to the period from the year 2008 to 31 December 2014 in terms of Sections 3(2) and 17(11) of the Urban Councils (Amendments) Ordinance had not been received from Colombo Registrar.

## **3. Operating Review**

### **3.1 Management Inefficiencies**

Statements of Assets and Liabilities in terms of Statement of Assets and Liabilities Act No. 01 of 1978 as amended by Statement of Assets and Liabilities Amendments Act No. 74 of 1988 had not been submitted by 07 Members including the Vice chairman of the Urban Council for the years 2012 and 2013

### 3.2 Improper Transactions

A sum of Rs.60,000 had been paid as Members Allowance to 09 Members who had not participated in the Sabha Meetings and Committee Meetings held in the relevant month, contrary to provisions in Rule 03(1)(1) published in the Extra Ordinary Gazette Notification No.1413/15 dated 05 October 2005 of the Southern Province Chief Minister and Minister in Charge of the subject of Local Government, causing losses to the Sabha Fund.

### 3.3 Human Resource Management

Information relating to the Cadre of the Sabha as at 31 December 2014 is shown below.

Category of Employees	Approved	Actual	Vacant	Surplus
Executive	05	04	01	-
Secondary	37	36	01	-
Primary	86	87	-	01
Casual/Temporary/ Contract basis	-	27	-	27
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	128	154	02	28
	=====	=====	=====	=====

Although the expenditure for Staff Salaries and Members Allowance according to the Revenue and Expenditure Account for the year under review was Rs. 40,765,898, a sum of Rs.36,893,950 only had been reimbursed by the Commissioner of Local Government causing an additional burden of expenditure amounting to Rs. 3,871,948 to the Sabha Fund during the year under review.

**4. Accountability and Good Governance**

**4.1 Budgetary Control**

The Budget had not been made use of as effective tool of financial management as material variance were observed between the budgeted revenue and expenditure and actual revenue and expenditure.

**5. Systems and Controls**

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

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