

**Weligama Urban Council**  
**Matara District**

---

**1 Financial Statements**

---

**1.1 Presentation of Financial Statements**

---

The Financial Statements for the year under review had been presented to the Audit on 29 March 2017 and the financial statements for the preceding year had been presented to the Audit on 15 March 2016 and the Report of the Auditor General for the year under review was sent to the Secretary to the Council on 21 August 2017.

**1.2 Qualified Opinion**

---

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Weligama Urban Council as at 31 December 2016 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

---

**1.3.1 Accounting Deficiencies**

---

The following accounting deficiencies were observed during the course of audit.

- (a) The bio stock amount of Rs. 44,400 in the organic fertilizer center as at the end of the year had been omitted in financial statements.
- (b) Six equipment of Rs. 119,090 procured during the year under review had not been capitalized.
- (c) Stamp fees income receivable for the previous year had been overstated in financial statements by Rs. 2,294,650.
- (d) Provisions had not been made for audit fees in the year under review and audit fees payable for the previous year had been understated by Rs. 238,248.

**1.3.2 Unreconciled Control Accounts**

---

Differences totaling Rs. 18,077,726 were observed between the balances of 06 items of account shown in the financial statements and the balances appearing in the subsidiary registers / schedules relating thereto.

### 1.3.3 Accounts Receivables and Payables

---

The following observations were made.

- (a) Six balances over 03 years period of Rs. 5,451,680 had been included in income debtor balance aggregating Rs. 34,045,803 as at the end of the year under review.
- (b) Twenty eight balances over 03 years period of Rs. 1,308,711 had been included in accounts payable balance aggregating Rs. 16,551,332 as at the end of the year under review.
- (c) Actions had not been taken to settle 06 balances aggregating Rs. 2,787,177 which was included 03 advance account balances carrying forward in financial statements for Rs. 823,304; case file rent balance of Rs. 862,885, rest house rent balance of Rs. 764,529 and license fees balance of Rs. 336,459.
- (d) Steps had not been taken even in the year under review to settle liability balance aggregating Rs. 5,867,895 which was carrying forward from previous years.

### 1.3.4 Lack of Documentary Evidence for Audit

---

In view of failure to produce evidence such as updated and properly maintained register of fixed assets and inventory register in respect of fixed assets totaling Rs. 120,594,792, stock registers and schedules with relating to stocks aggregating Rs. 20,271,539; updated and properly maintained registers, schedules and confirmation of balances in respect of advance totaling Rs. 837,804 and loan account of Urban Development Authority for Rs. 2,272,181, could not be satisfactorily examined in audit.

### 2.2.5 Non-compliance with Laws, Rules and Regulations

---

Details of instances of non-compliances shown below were observed in audit.

<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>
-----	-----
(a) Section 164 (2) of Municipal Councils Ordinance (Chapter 255)	One per cent charges from annual income based on proper financial statements had not been recovered from 08 hotels situated in the area of the Authority and registered in the area of the Authority of Sri Lanka Tourism Development Authority.

- |   |  |
|---|--|
| (b) Financial Regulation 571 of the Republic of Sri Lanka         | Actions had not been taken with relating to payable deposit balances aggregating Rs. 2,183,348 remained over 02 years period.  |
| (c) Treasury Circular No. I.A.I 2002/02 dated on 28 November 2002 | Separate register of fixed asset had not been maintained with relating to computers, accessories and software belonging to Council as at 31 December of the year under review aggregating Rs. 1,072,000. |

## **02. Financial Review**

---

### **2.1 Financial Results**

---

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2016 amounted to Rs. 24,434,609, as compared with the excess of recurrent expenditure over revenue amounting to Rs. 159,912 for the preceding year. Accordingly, the financial results for the year under review indicated an improvement of Rs. 24,274,697.

### **2.2 Analytical Financial Review**

---

The following observations were made.

- (a) It was observed that total recurrent expenditure was almost 80 per cent from the total recurrent revenue of the year under review.
- (b) The recurrent expenditure had been increased more than the self-generated revenue by significant amounts in the three years and it was shown situation where recurrent expenditure could not be recovered at any mean from self-generated revenue.

### **2.3 Working Capital Management**

---

It was observed that a liquidity position does not exist as per the current and quick ratios due to the existence of unrecovered balances older than 03 years of Rs. 5,451,680 remaining in debtor balance.

## **2.4 Revenue Administration**

---

### **2.4.1 Rates**

---

While there was opening arrears balance amounting to Rs. 5,426,648, and a sum of Rs. 11,671,597 had to be recovered including the billings of Rs. 6,244,949 of the year. The arrears balance as at the end of the year under review was Rs. 5,459,836 due to the total recoveries was Rs. 6,211,761.

### **2.4.2 Lease Rent**

---

While there was opening arrears balance amounting to Rs. 3,845,987, and a sum of Rs. 11,686,332 had to be recovered including the billings of Rs. 7,840,345 of the year. The arrears balance as at the end of the year was higher as Rs. 4,121,533 due to the total recoveries was Rs. 7,564,799.

### **2.4.3 License Fees**

---

While there was opening arrears balance amounting to Rs. 336,459, billings for the year was Rs. 2,391,421. Though the entire billing for the year had been recovered, none of the arrears balance had been recovered.

### **2.4.4 Courts Fines and Stamp Duty**

---

Courts fines amounting to Rs. 22,000 and the Stamp Duty amounting to Rs. 22,062,852 had been remained as receivable from the Chief Secretary to the Provincial Council and other Authorities as at the end of the year under review.

## **3. Operating Review**

---

### **3.1 Operating Inefficiencies**

---

Following observations were made.

- (a) The total of entire estimated capital expenditure was Rs. 63,318,399 and the cost of implemented works during the year was Rs. 8,334,652. Any program had not even been implemented out of capital works estimated under 03 programs.
- (b) Actions had not been taken to fill 02 senior and tertiary level vacancies as well as to streamline excess recruitments made in 47 secondary and primary posts.

### **3.2 Uneconomic Transactions**

---

The following observations were made.

- (a) Total revenue of compost and Ranpohoniya sales outlet was Rs. 10,832,268 and a sum of Rs. 13,215,951 had been spent for this program. Therefore it is observed excess expenditure of Rs. 2,383,683 over the income and that amount was as much as 22 per cent of total revenue.
- (b) Three buildings, water tanks and the land belonging to Green Hermitage which was constructed in the year 2014 by spending a sum of Rs. 2,821,345 on the provisions of the Ministry of Environment and Renewable Energy had not been opened to Public even in the month of June 2017. The cost incurred for the Green Hermitage has been converted into a fruitless expenditure due to the land was called to develop as anchorage of Fishery Harbors Cooperation.

### **3.3 Solid Waste Management**

---

The following observations were made.

- (a) Eighteen tons of solid waste management is collected daily and a sum of Rs. 33,909,647 had been spent during the year 2016 for staff salaries, fuel and repairs and maintains of vehicles.
- (b) Though expected organic fertilizer production during the year 2016 was 1,296,000 kilograms, only 197,370 kilograms had been produced. That amount was 15 per cent of the expected production.

## **4. Accountability and Good Governance**

---

### **4.1 Budgetary Control**

---

It was observed that the budget had not been made use of as an effective instrument of financial management control due to the savings aggregating Rs. 58,541,944 in 08 expenditure votes budgeted in the year under review and non-achieving targets aggregating Rs. 39,752,789 in 06 revenue votes.

#### **4.2 Internal Audit**

-----

Internal audit unit had not been established even as at the end of the year under review as per the direction made in 133 and 134 of Financial Regulations of the Republic of Sri Lanka and as per the Circular No. SPLA/G/01/MCC dated 24 February 2014 of the Commissioner of Local Government of the Southern Province.

#### **4.3 Audit and Management Committee**

-----

Action in terms of the provisions in the Management Audit Circular No.DMA/2009(i) dated 09 June 2009 had not been taken even by the end of the year under review for the establishment of the Audit and Management Committee.

#### **6. Systems and Controls**

-----

Special attention of the Council should be drawn to the following areas of systems and controls.

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