

Weligama Urban Council

Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 25 May 2018 and 31 May 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section 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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) The sum of Rs.1,394,978 recovered from employees as no pay leave during the year under review had not been deducted from salaries and wages.	Salaries and wages should be correctly brought to account.	The value of no pay leave had been credited to the Revenue Head of the revenue recoverable during the year in order to avoid expenditure on salaries and wages being shown less.
(ii) Fixed assets of Rs.488,192 purchased during the year under review had not been capitalized.	All fixed assets should be brought to account.	Action will be taken to make rectifications in the financial statements as at end of the ensuing year.
(iii) The balance of stock as at 31 December of the year under review amounting to	Stocks should be correctly brought to account.	It is informed that action will be taken to include those information while

Rs.237,126 had not been shown in the financial statements

preparing the financial statements during the ensuing year.

(b) Unreconciled Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Differences aggregating Rs.1,037,667 were observed between the balances of 04 items of accounts aggregating Rs.20,027,702 included in the financial statements and the related balances appearing in the subsidiary registers and schedules.	Action should be taken to reconcile the differences of the relevant balances and to rectify the accounts.	Action will be taken to make rectifications in future.

1.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-compliance -----	Recommendation -----	Comments of the Accounting Officer -----
a) Financial Regulations 756 and 757 of the Democratic Socialist Republic of Sri Lanka	The stock book had not been balanced as at 31 December of each year so as to verify whether the balances appearing therein tally with the physically verified balances	Action should be taken in terms of financial regulations	Action will be taken in future to avoid occurrence of errors.
b) Paragraph 22.4 of Chapter X11 of the Establishments Code of the Republic of Sri Lanka	A monthly statement of no pay leave of employees of the Sabha had not been furnished to the Auditor General.	Action should be taken in terms of the Establishments Code	Action will be taken to furnish in future.

2. Financial Review
-----**2.1 Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December of the year under review amounted to Rs.50,148,678 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.26,440,297.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	13,050,000	12,501,257	11,615,984	7,974,517	10,050,000	10,588,176	9,284,411	7,089,244
Rent	15,203,000	15,149,632	11,537,415	9,038,801	15,897,200	12,809,606	11,178,912	5,426,584
Licence Fees	3,926,500	7,133,800	7,133,801	336,458	3,326,500	4,453,836	4,453,836	336,459
Other Revenue	49,364,000	47,057,390	27,055,034	47,421,361	45,456,000	30,435,604	25,102,453	27,419,005
Total	81,543,500	81,842,079	57,342,234	64,771,137	74,729,700	58,287,222	50,019,612	40,271,292

2.2.2 Performance in collection of Revenue

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>The estimated revenue of the year under review amounted to Rs.81,543,500. The arrears at the commencement of the year under review amounting to Rs.40,271,292 added to the billings of Rs.81,842,079 resulted in receivables amounting to Rs.122,113,371. The total recoveries during the year amounted to Rs.57,342,234 only. As such, the arrears due as at 31 December of the year under review amounted to Rs.64,771,137. The percentage of recovery was 47.</p>	<p>Recovery of arrears should be intensified.</p>	<p>Action will be taken to improve the revenue in future and legal action will be taken to recover the arrears.</p>

2.2.3 Rates and Taxes

(a) Rates and Taxes

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>The balance of arrears of rates and taxes as at commencement of the year under review amounting to Rs.6,743,278. added the billings and surcharges during the year amounting to Rs.8,744,916. ended in receivables amounting to Rs.15,488,194 The total recoveries during the year underreview was 50 per cent of the billings andthe arrears at the commencement of the year. Action had not been taken to recover the arrears in terms of Sections 170(1) and(2) of the Urban Councils Ordinance.</p>	<p>Recovery of arrears of rates and taxes should be intensified.</p>	<p>Action will be taken in future to recover revenue.</p>

(b) Entertainment Tax

The balance of entertainment tax at the commencement amounted to Rs.345,965 and the billings of the year amounted to Rs.185,918. The total recoveries during the year under review amounted to Rs.213,135 resulting in an arrears of Rs.318,748 as at end of the year. The total recoveries of the year under review was at a low level of 40 per cent of the billings and the arrears as at commencement of the year.

Recovery of arrears of revenue from entertainment tax should be intensified

Action will be taken to recover revenue.

2.2.4 Rent

Stall Rent

Audit Observation

The balance of arrears at the commencement amounted to Rs.2,596,617. Billings and surcharges of the year amounted to Rs.5,363,767. As such, a sum of Rs.7,960,384 remained as recoverables. The total recoveries during the year amounted to Rs.2,593,001. As such, the arrears of balances as at end of the year amounted to Rs.5,367,383. The total recoveries of the year under review was 32 per cent of the billings and the arrears at the commencement of the year.

Recommendation

Recovery of arrears of rent should be intensified.

Comments of the Accounting Officer

Strictly informed to pay the stall rent.

2.2.5 Other Revenue

Audit Observation

Court Fines and Stamp Fees Court fines of Rs.143,901 and stamp fees of Rs.48,129,149 were due from the

Recommendation

Recovery of arrears of court fees and stamp fees should be intensified.

Comments of the Accounting Officer

Requests had been made by letters.

Chief Secretary of the Provincial Council and other authorities as at end of the year under review.

3. Operating Review

3.1 Human Resources Management

Audit Observation

Vacancies and Excesses in the Cadre Action had not been taken to fill 10 vacancies in the cadre even by end of the year under review.

Recommendation

Vacancies in the cadre should be filled.

Comments of the Accounting Officer

Action had been taken to make recruitments to fill vacancies in the primary and other posts. Vacancies in senior and secondary posts had been informed.

3.2 Operating Inefficiencies

Audit Observation

- (a) Four car parks should have been constructed within a space of 326 square metres according to the approved plan No.BA/23/2017 as per decision No. 1431 of the planning committee held on 16 May 2017. However, as a result of not doing so, a sum of Rs.2,000,000 had not been recovered at the rate of Rs.500,000 each as per Paragraph 5 of the Gazette Notification No.1597/8 of 17 April 2009. The third floor of about 108 square metres had been constructed contravening paragraph6(11) of the building plan for which a sum of Rs.216,000 had been recovered, without covering approval.

Recommendation

Action should be taken according to the Gazette Notification.

Comments of the Accounting Officer

Action is being taken to recover penalties and to make other recoveries which should be made according to the recommendations of the Planning Committee.

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| (b) Occupants should pay for water and electricity In terms of Section 5.8 of Chapter xix of the Establishments Code. However, a sum of Rs.203,293 had been spent for water and electricity from the funds of the Sabha for the year under review for a quarters occupied by employees. | Action should be taken according to the Establishments Code. | Action is being taken to install a separate meter for water and electricity of the quarters. |
| (c) According to the bye-laws published in the Gazette Notification No.1834 of 25 October 2013, garbage fees should be collected as per decisions made from time to time. According to 7.14 of the bye-laws pertaining to the solid waste material management within the area of the Urban Council published in the Gazette Notification No.1886/12 of 28 October 2014, the relevant provisions had been formulated. However, garbage tax had not been revised in 32 hotels during the year under review. | Action should be taken in terms of the bye-laws. | It is informed that proper procedures had been Initiated for recovery of garbage tax. |
| (d) Licences had been obtained by 62 rest houses of the Urban Council Area during the year under review. However, garbage tax had been recovered from 32 rest houses only. | Garbage tax should be recovered from all rest houses within the area of the Council. | Action is being taken to introduce service charges in places where garbage tax had not been recovered. |
| (e) Stall rent should be assessed every 05 years in terms of the Circular No. දපපා/පපාකො/2010/01 of 27 December 2010 of the Southern Commissioner of Local Government. However, action had not been taken to make such assessments for 158 stalls. | Action should be taken in terms of the circular. | The matter had been referred to the Department of Valuation for obtaining new assessments. |

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| (f) | Key money of Rs.1,570,601 was in arrears since 2007 from 02 stalls of the Super Market Complex of the Urban Council and 04 stalls of the bus stand. | Recovery of arrears should be intensified | Lessees had been informed |
| (g) | Apart from the hall charges, charges for water, electricity and cleaning should be charged at Rs.4,500 per occasion while allowing the town Hall of the Urban Council for ceremonies., However, these charges had not been recovered during matrimonial ceremonies. Test checks revealed that a sum of Rs.297,000 had not been recovered on 66 matrimonial ceremonies held during the year under review. | Service charges should be recovered for water, electricity and cleaning. | The budget for matrimonial ceremonies includes the service charges also. As such, service charges had not been recovered seperately. |

3.3 Transactions of Contentious Nature

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) A sum of Rs.699,430 had been spent from the funds of the Urban Council to construct the side boundary portion of the Sankananda First Lane (Steps Road). But, the construction of the side boundary had been made to safeguard the land of a private land owner situated at a significant distance away from the main road.	Funds of the Council should be utilized for general activities.	The road would be suitably made available for vehicles transportation in future with the resolution of the Council.
(b) The expenditure on electricity of the Town hall for the year under review amounted to Rs.1,589,384. But, the fees recovered from those who had obtained the town hall on rent as charges for electricity and	An electricity meter should be installed at the town hall.	One meter alone had been installed for the town hall and the office of the Council. As such, figurewise expenditure on electricity cannot be made.

cleaning amounted to Rs.858,000.

3.4 Delay in Execution of Tasks

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>A sum of Rs.5,577,804 had been approved on 27 September 2018 for repairing the Kapparathota Community Centre under the programme for strengthening of Pradeshiya Sabha. The expenditure incurred on tender notice for selecting a contractor amounted to Rs.52,000. However, action had not been taken to commence the work during the year under review.</p>	<p>Work should be properly planned.</p>	<p>The work could not be executed due to lack of adequacy of time.</p>

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>(a) Savings in 07 objects amounted to Rs.32,913,895, which ranged from 03 per cent to 90 per cent.</p>	<p>Feasible annual budget should be prepared.</p>	<p>Action would be taken in future to minimize variances between the budgeted and actual expenditure.</p>
<p>(b) Targets not achieved in 05 items of revenue amounted to Rs.9,936,983 which ranged from 3.4 per cent to 20 per cent.</p>	<p>Feasible annual budget should be prepared.</p>	<p>Action would be taken in future to minimize variances between the budgeted and actual expenditure.</p>

4.2 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>Adequate internal audit had not been carried out in terms of provisions in Financial Regulations 133 and 134 of the Democratic Socialist Republic of Sri Lanka and the Circular No. දපපා/යහ/01/න.ව.ලේ of 24 February 2014 of the Southern Commissioner of Local Government. The Auditor General had not been consulted regarding preparation of internal audit programme in terms of Financial Regulation 134 and copies of internal audit reports had not been furnished to him.</p>	<p>Action should be taken according to the Financial Regulations and Circulars.</p>	<p>It is expected to implement activities relating to Internal audit according to proper procedures. Action would be taken to furnish monthly internal audit reports.</p>