

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Weligama Urban Council including the financial statements for the year ended 31 December 2022 comprising the Statement of financial position as at 31 December 2022, Statement of Financial Operations, statement of changing Equity. Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, under my direction in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Sub-Section 181 (1) of the Urban Council Ordinance (Chapter 255) and the provisions of the National Audit Act No.19 of 2018. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Weligama Urban Council as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally accepted Accounting Principles, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Urban Council's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Urban Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an

audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Urban Council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Urban Council has complied with applicable written law, or other general or special directions issued by the governing body of the Urban Council
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources of the Urban council had been procured and economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Urban Council as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation -----	Comment of the Council -----	Recommendation -----
(a) The creditor balance of Rs.731,816 had been overstated at the end of the year under review,	The corrections will be made.	Should be accounted correctly
(b) Advertising board fees amounting to Rs.475,470 due at the end of the year under review in relation to 98 advertising boards displayed in the council area were not accounted.	Will be accounted.	Should be accounted correctly
(c) The total value of 06 vehicles valued at Rs. 789,000 which were not physically exist by the council had been accounted as at the end of the year under review.	Will be accounted	Should be accounted correctly
(d) The provision had not been made under Miscellaneous creditors for the interest amounting to Rs.762,718 payable at the end of the year under review in relation to the loan amount obtained from the Urban Development Authority.	Will be accounted	Should be accounted correctly
(e) The stock net value had been overstated by Rs.106,754 at the end of the year under review.	Will be accounted	Should be accounted correctly
(f) The stamp duty revenue amounting to Rs. 4,109,283 receivable at the end of the year under review had been under-stated in accounts.	Will be accounted	Should be accounted correctly
(g) The amount payable to the Local Government Employees' Pension Fund amounting to Rs. 9,389,427 had not been accounted as at the end of the year under review,	Will be accounted.	Should be accounted correctly
(h) The tender fees receivable amounting to Rs.605,407 had been over-stated at the end of the year under review.	Will be accounted	Should be accounted correctly
(i) Receivable Entertainment tax amounting to Rs.697,275 had not been accounted as at the end of the year under review.	Will be accounted	Should be accounted correctly

1.6.2 Non reconciled control account or records

Audit Observation -----	Comment of the Council -----	Recommendation -----
There was a difference of Rs. 1,179,098 in between the balances related to 07 accounting items included in the financial statements was Rs. 75,152,187 and the balances shown in the related documents/schedules.	The action will be taken to correct.	The differences in the respective balances should be reconciled and the accounts corrected.

1.6.3 Lack of Documentary evidence for audit

Audit Observation -----	Comment of the Council -----	Recommendation -----
Due to non-submission of information such as fixed assets register, detailed schedules, age analysis and balance confirmation, 13 accounting items totaling to Rs.29,972,622 could not be satisfactorily checked during the audit.	The registers will be updated.	Evidence should be submitted to confirm the account balances shown in the financial statements.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December amounted to Rs. 22,120,182 as compared with excess of revenue over recurrent expenditure amounted to Rs. 30,991,088 in the preceding year.

2.2 Revenue Administration

2.2.1 According to the information presented by the chairman, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are as follows.

Source of Revenue	2022 -----				2021 -----			
	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
Rates and Taxes	15,300,000	12,384,551	12,089,483	12,740,641	15,300,000	11,449,284	8,776,948	12,445,573
Rent	22,576,000	22,544,981	19,830,187	20,917,259	9,385,000	16,178,843	15,241,318	18,202,465
License Fees	8,463,000	5,427,875	5,641,995	336,459	8,762,500	3,192,330	3,246,330	550,579
Other revenue	17,494,000	12,741,299	13,200,373	848,893	17,250,000	11,120,084	10,295,003	1,307,967
Total	63,833,000	53,098,706	50,762,038	34,843,252	50,697,500	41,940,541	37,559,599	32,506,584

2.2.2 Performance in Revenue Collection

Following observations are made regarding the revenue collection performance of the council.

Audit Observation -----	Comment of the Council -----	Recommendation -----
(a) At the beginning of the year under review, the outstanding assessment tax balance was Rs.12,536,056, with the billings during the year Rs.8,190,129 in respect of 9776 assessment units total receivable was Rs.20,726,185 and total collection during the year was Rs. 7,958,432. As such there was a total deficit balance of Rs. 12,767,753 remained outstanding relating to 5,536 assessment units as at the end of the year under review.	The Actions will be taken to reduce the outstanding balance.	Arrears of income should be collected as soon as possible.
(b) 227 out of 230 shops owned by the council were leased and by the end of the year under review, 129 lessees had been collected Rs. 10,584,681 remained receivable.	The arrangements will be made to collect the arrears.	Arrears of income should be collected as soon as possible.
(c) 41 shops located in 14 places owned by the Urban Council were leased without any agreement at the end of the year under review.	The actions are being taken to take over the shop premises.	An agreement should be entered into for the lease of the shop premises.
(d) In relation to 06 shops belonging to 05 shopping complex of Weligama Urban Council, the collection of amounts to be charged for the lease of shops is Rs. 857,032 was still uncollected at the end of the year under review.	There is no response and non-contracted shops will be taken over.	Should be done as per the circular
(e) Rs.24,852,325 should have been received from the Chief Secretary of the Provincial Council for stamp duty at the end of the year under review.	The requests have been made by letter.	Arrears of income should be collected as soon as possible.
(f) The survey had not been conducted and charges were not collected from 28 hotels and restaurants registered with the Tourist Board in the Weligama Urban Council area at the end of the year under review,.	The legal action is being taken against several organizations that have not paid license fees.	Revenue should be charged promptly.
(g) The council-owned Weligama Rest house was transferred to a private entity under the Urban Development Authority and at the end of the year under review; however the outstanding management fees of Rs 1,720,861 had not been collected.	The concerned parties have been informed by letters to take over the Rest house back to the council.	Urgent action should be taken.

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| (h) | The outstanding amount of Rs. 5,701,777 was not recovered from 09 properties owned by the council which are tendered annually between the year 2015 and 2022. | The legal advice has been sought for legal action. | Should be charged as soon as possible. |
| (i) | In the year under review, entertainment tax of Rs.697,275 due to the council was not collected from a festival held by a private organization with the support of the council under the tourism promotion program. | The requests have been made in letters to the Conciliation Board to take legal action | The entertainment tax related control methods should be followed and arrears should be collected promptly in the future. |

3. Operational Review

3.1 Management Inefficiencies

Audit Observation -----	Comment of the Council -----	Recommendation -----
(a) The amount of Rs. 1,884,306 that was stated as the amount to be paid in the year 1992 when the Ceylon Electricity Board was handed over to supply electricity had not been settled even as at the year under review.	It had been submitted to the committee for settlement.	Arrangements should be made for immediate settlement.
(b) The loan amounting to Rs.1,759,550, which was given in 1995 on the basis of settlement in 22 years through the Urban Development Sector Project of the Ministry of Urban Development and Housing, had ended in the year 2017, however it had not been settled by the end of the year under review.	Detailed schedules are difficult to find	Should be settled immediately.
(c) In last year's board of survey, Rs. 125,815 value of 88 items belonging to 15 types of goods had been identified as deficiencies however the action had not been taken in accordance with as Financial Regulations 760.	After the inspection, the responsible parties will be identified and necessary steps will be taken.	Should be done as per the regulations.
(d) Contrary to the provision of Section 02 (iv) of No. 09/2019 the Public Administration Circular dated 16 April 2009, 04 officers had been paid holiday pay amounting to Rs. 241,748 for 85 days without considering the finger print.	The fingerprint machine was not used during the holiday service during that period.	Should be done as per the circular.

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| (e) | Rs.2,020,597 had been paid as overtime allowances to the officers and employees for work which could have been performed during normal working hours, contrary to the provisions of Section 3.2 of Chapter VIII of the Establishment Code. | Many officers had to be paid overtime allowances as they had to perform duties on weekends in addition to their normal duty days due to emergency duties. | The action Should be done in accordance the Establishment Code. |
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3.2 Operating Inefficiencies

Audit Observation -----	Comment of the Council -----	Recommendation -----
(a) 590 development permits were issued from 2016 to the year under review, for the construction of buildings, out of which compliance certificates were issued only for 78.	Follow up actions are in proceed to collect assessment tax.	Arrangements should be made to collect the assessment tax.
(b) According to sub-document 02 of Gazette Notification No. 2235/54 dated 08 July 2021, which includes the Planning and Development Orders/Regulations of the Urban Development Authority 2021 regarding the constructions that were carried out without obtaining a development permit within the urban area, the action had not been taken by the council to charge fees of Rs.341,840 and formalized the constructions or remove the constructions.	The action had been taken to notify by letters.	The actions should be taken in accordance with the gazette notification.

3.3 Human Resources Management

Audit Observation -----	Comment of the Council -----	Recommendation -----
(a) The loan balance of Rs.687,658 which was to be collected from 07 officers who retired after serving in the council, was not collected.	Actions have been taken to recover.	Arrangements should be made to settle the loan balance.
(b) In the year under review, 07 work field laborers a health worker, and a temporary worker were assigned other duties not related to the post and paid Rs. 5,554,815 from the council fund.	The assignments of duty have been made on the basis of service requirement.	Should assign relevant duties.