

Weligama Urban Council - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Weligama Urban Council for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, statement of financial and operational performance, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements including material accounting policy information was carried out 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 (Authority 255) Subsection 181 (1) of the Urban Councils Ordinance and the Sub Section 10 (1) 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 statement of financial positions as at 31 December 2024 of the Weligama Urban Council, and of its financial performance and its cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I expressed qualified opinion 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 to be prepared.

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 exercise professional judgment and maintain professional scepticism 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 the 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 Industry;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized 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 includes special provisions regarding the following requirements.

- (a) The financial statements of the Pradeshiya Sabha presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented includes all the recommendations made by me in the previous year described in paragraph 1.6 of this report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observations	Comments of the Council	Recommendation
(a) Interest receivable on fixed deposits of Rs.153,260 had not been accounted for in the year under review.	That the interest receivable on fixed deposits will be correctly accounted through a journal entry in the future.	It should be accounted correctly.
(b) The value of the inventory purchased during the year under review totaling Rs.233,903 had not been accounted.	That the missed items will be accounted correctly in the future.	All purchased inventory items should be accurately accounted for.
(c) The arrears tender rent in the year under review had been over-accounted at Rs.611,810.	That the reason for the arrears tender rent difference is being investigated and actions will be taken to correct it in the future.	Tender rents should be checked and accounted correctly.
(d) Industrial creditors of Rs.183,565 and sundry creditors of Rs.181,012 had not been accounted in the year under review.	That it will be accounted correctly in the future.	Provisions should be made for creditors as appropriate and accounted.

1.6.2 Un-reconcile Control Accounts

Audit Observations	Comments of the Council	Recommendation
There was a difference of Rs.9.67 million between the balances related to 02 accounting objects shown in the financial statements and the balances shown in the relevant supporting documents.	That the action will be taken to prevent such errors occurring in the future.	Action should be taken to compare and correct the differences in the relevant balances.

1.6.3 Documentary Evidences not made available for Audit

Audit Observations	Comments of the Council	Recommendation
Due to the failure to submit updated Fixed Asset Registers, detailed schedules and age analyses, 07 accounting items totaling Rs.28.76 million could not be satisfactorily examined during the audit.	This is a balance from the previous year. Action will be taken to settle it in the future.	Evidence confirming account balances should be submitted to the audit.

2. Financial Review

2.1 Financial Results

According to the financial statements submitted, the revenue exceeding the recurrent expenditure of the Council for the year ended 31 December of the year under review was Rs.6.04 million, and correspondingly, the revenue exceeding the recurrent expenditure of the previous year was Rs.9.5 million.

2.2 Revenue Administration

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

According to the information submitted by the Secretary, the following is the information on estimated income, billed income, collected income and arrears of income for the year under review and the previous year.

		2024				2023			
Source of Revenue		Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Assessments and Taxes	19,325,000	14,277,520	17,689,146	9,883,011	15,350,000	15,802,122	15,248,126	13,294,637
(ii)	Rent	31,005,197	27,269,300	27,922,769	19,627,206	29,264,000	24,603,277	25,239,861	20,280,675
(iii)	License fee	8,064,500	11,563,284	10,799,794	1,652,549	4,314,500	10,354,532	9,801,932	889,059
(iv)	Other Revenue	17,795,000	12,700,385	12,786,144	726,433	15,473,000	11,815,334	11,852,035	812,192
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		76,189,697	65,810,489	69,197,853	31,889,199	64,401,500	62,575,265	62,141,954	35,276,563
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2.2.2 Performance in collecting Revenue

The following are observations regarding the performance of revenue collection of the council.

Audit Observations	Comments of the Council	Recommendation
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(a) Assessment

A balance of Rs. 9.16 million remained to be recovered in respect of 8375 assessment units at the end of the year under review.

Actions have been taken to collect arrears of assessments through conducting mobile services, sending red notices, and officers engaged in field duties.

Actions should be taken to recover arrears of revenue promptly.

(b) Rent

- (i) Out of the arrears of Rs.19.63 million as at 31 December of the year under review, shop rent of Rs.10.13 million was due in respect of 104 shop and the balance of Rs.4.47 million in respect of 55 shop included in that arrears balance had exceeded 02 years.

All possible solutions are currently being sought for shops with large sums of money and shops without contracts, and legal action is being taken.

Actions should be taken to recover arrears of revenue promptly.

- (ii) The 03 shop in 03 shopping complexes owned by the Urban Council had been leased out without collecting a total key money of Rs.487,500, in violation of paragraph 04 of the Circular No.S.L.G./L.G.C./2010/01 dated 27 December 2010 of the Southern Province, Local Government Commissioner.
- The arrears amount of Rs.17,500 was recovered on 23 May 2025, and legal action is being taken for the other two shops.
- Action should be taken to recover arrears of revenue promptly.

(c) Other income

Rs.23.74 million in stamp duty should have been received from the Chief Secretary of the Provincial Council as of the end of the year under review.

As of 31 December of the year under review, an amount of Rs.13.39 million has been received from the arrears stamp duty.

Action should be taken to recover arrears of revenue promptly.

3. Operational Review

3.1 Performance of functions assigned by the Act

The following are the facts observed regarding the performance of the functions that the Council was required to perform under Section 4 of the Urban Council Ordinance, namely, the regulation and control of matters relating to public health, public utility services and public roads, and the enjoyment, convenience and welfare of the people.

Audit Observations	Comments of the Council	Recommendation
(a) The Environmental Protection Permit had not been obtained for the Solid Garbage Management Center, which had been started in 2006 on an 18-acre land plot in Paman Ekala, Kapparithota, and 04 machines purchased for plastic recycling at a cost of Rs.2.07 million had remained idle for 03 months.	Written information has been provided to obtain appropriate technical advice on the proper management of the compost production process and the preparation of the compost yard, and written advice has not been received until now.	Purchased equipment for plastic recycling should be used and an environmental protection permit should be obtained.
(b) The 05 road development projects and 08 public utility service projects totaling Rs.88.57 million, which had been approved in the annual budget for implementation during the year under review, had not been implemented.	The implementation of other work proposals using the provisions of the approved work proposals, the absence of approved work proposals to be developed during the on-site inspection, and there were public objections.	The work proposals that need to be developed should be identified by proper study, and included in the budget and implemented.

3.2 Management Inefficiencies

Audit Observations	Comments of the Council	Recommendation
(a) According to the determination of trade license fees for the year 2024, license fees had not been collected from 06 hotels which were required to collect a license fee of 1 percent of the previous year's receipts out of the hotels, canteen and lodgings registered with the Sri Lanka Tourism Board,.	Information has been provided to the Revenue Inspection Officer to take legal action against the 05 unlicensed trade institutions.	Actions should be taken to collect fees without delay and newly opened and closed hotels, canteen and lodgings should be identified annually.
(b) The Urban Council had lost Rs.138,600 in environmental permit fee revenue as 28 industrial units that had been issued trade permit during the year under review had not obtained environmental protection permits.	Based on the field survey recommendations provided, immediate action will be taken to issue environmental permits to all industries that comply with the gazette notification.	Actions should be taken to issue environmental protection permits promptly.

3.3 Operational Inefficiencies

Audit Observations	Comments of the Council	Recommendation
(a) As per paragraph 05 of the Circular No.S.L.G./L.G.C./2010/01 dated 27 December 2010 of the Southern Province, Local Government Commissioner, 07 shop owned by the council had been leased for a period of between 06 and 40 years without entering into a legal agreement.	Out of the 07 shops leased without an agreement, 02 will be taken over by the council and legal action will be taken for the remaining 05 shops.	Action should be taken in accordance with the circular provisions regarding the 07 relevant shops and appropriate action should be taken against the officers who fail to do accordingly.
(b) Although according to paragraph 05 of the Circular No.S.L.G./L.G.C./2010/01 dated 27 December 2010 of the Southern Province, Local Government Commissioner, although each agreement should be updated once every 03 years, due to not act accordingly, between 06 months and 12 years had elapsed since the agreement period of 181 shops owned by the council had expired.	Notices have been continuously sent through letters to lessee whose agreements have not been updated.	The agreement should be updated every 3 years and appropriate action should be taken against officers and lessees who fail to act accordingly.

3.4 Assets Management

Audit Observations	Comments of the Council	Recommendation
Actions had not been taken to acquire the legal ownership of 48 lands occupied by the council by the end of the year under review.	There is information that those who held the seat of ministers in previous councils have misplaced documents related to land plots owned by the council, and therefore, have failed to carry out the necessary actions to confirm ownership.	Action should be taken to legally take over.

3.5 Human Resource Management

Audit Observations	Comments of the Council	Recommendation
(a) Action had not been taken to regularize 20 surplus positions included in the staff plan even at the end of the year under review.	Applications and justification reports have been submitted to the Department of Management Services in accordance with Financial Regulation 71.	A review of staff needs for the council should be conducted.
(b) Although the circular No.18/2001 dated 22 August 2001 of the Secretary to the Ministry of Public Administration, Home Affairs and Administrative Reforms states that every officer who has served in the same post/workplace for a maximum period of 05 years should serve in other posts/workplaces, the attention of the responsible parties had not been drawn to the transfer of 46 officers in 20 posts serving in the Weligama Urban Council as of 31 December 2024, despite the service period of 05 to 23 years.	Our institution cannot be held responsible for transfers made by other institutions.	The attention of the responsible parties should be drawn to the transfers as per the circular provisions.