

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 for audit on 06 June 2013 and the financial statements for the preceding year had been presented on 02 November 2012. The Report of the Auditor General for the year under review was furnished to the Chairman of the Council on 29 November 2013.

1.2 **Opinion**

In view of the comments and observations appearing in my report. I do not express an opinion on the financial statements of the Weligama Urban Council for the year ended 31 December 2012 presented for audit.

1.3 **Comments on Financial Statements**

1.3.1 **Accounting Deficiencies**

- (a) The value of the goods issued from the stores in the year under review amounting to Rs.1,799,695 had not been brought to account as expenditure of the year.
- (b) The sum of Rs.2,876,640 received in the year under review as the Provincial Council stamp fees for the year under review and the preceding year had been brought to account as refundable stamp deposits without being brought to account as revenue.
- (c) Even though 101 journal entries had been furnished with the financial statements for the year under review, there were 109 journal entries in the General Ledger. The value of unrecorded transactions of 08 journal entries amounted to Rs.1,248,668.
- (d) The closing stock as at the end of the year under review amounting to Rs.16,293,463 had been brought to account under the general stores without being classified.

- (e) The lease rent amounting to Rs.3,566,793 received in the year under review had not been debited to the cash book and credited the Lease Rent Control Account. As such the debtors had been overstated by that amount.
- (f) The no pay leave recoverable as at the end of the year under review amounting to Rs.376,025 had not been brought to account as debtors in the final accounts.
- (g) The property loan interest amounting to Rs.206,003 paid as the Government contribution in the year under review in respect of 04 officers had not been brought to account as debtors.

1.3.2 Unsettled Accounts

Balance amounting to Rs.88,956,593 relating to 11 items of account had been carried forward even in the year under review without being settled.

1.3.3 Bank Accounts

- (a) Even though overdrafts cannot be maintained in Bank Accounts in terms of Financial Regulation 387 of Republic of Sri Lanka, according to the cash book overdrafts had been maintained in 04 Bank Accounts.
- (b) The Bank errors relating to 03 Bank Accounts brought forward over a number of years from the year 2007 to the year 2010 amounting to Rs.2,795,569 had been shown as " Bank errors deducted" in the Bank Reconciliation without being adjusted.
- (c) The unidentified Bank errors relating to 02 Bank Accounts brought forward from the year 2007 to the year 2011 amounting to Rs.3,211,173 had been shown in the Bank Reconciliation as " unidentified Bank errors deducted" without adjusted.
- (d) Even though 25 cheques valued at Rs.1,433,960 deposited in 04 Bank Accounts from January 2011 to September 2012 had not been realized, those had been shown in the Bank Reconciliation as at the end of the year under review without being adjusted in the Debtors Account.
- (e) Action in terms of Financial Regulation had not been taken on 49 cheques valued at Rs.1,881,537 issued. But, not-presented for payment for more than 06 months.

1.3.4 Unreconciled Control Accounts

The balances of 12 items of account according to the financial statements totaled Rs.104,660,547 whereas according to the subsidiary registers and information made available those balances totaled Rs.98,468,638. As such the difference amounted to Rs.6,191,909.

1.3.5 Accounts Payable

The value of the balances of accounts payable older than one year as at 31 December 2012 totalled Rs.90,795,650.

1.3.6 Lack of Evidence for Audit

Nine transactions totalling Rs.246,879,661 could not be satisfactorily vouched in audit due to the non – submission of the required information.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Council for the year ended 31 December 2012 amounted to Rs.8,799,151 as against the excess of revenue over the recurrent expenditure amounting to Rs.7,362,119 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue Actual Revenue and Arrears of Revenue

The information on the estimated revenue, the actual revenue and the arrears of revenue in respect of the year under review presented by the Chairman is given below.

Category of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	7,075	7,226	4,389
(ii.) Trade Lease Rents	13,440	11,259	6,127
(iii.) Licence Fees	1,005	804	336
(iv.) Other Revenue	60,540	61,745	85,745

2.2.2 **Courts Fines and Stamp Fees**

Moneys receivable as at 31 December 2012 from the Chief Secretary of Provincial Council and the other authorities are given below.

- (i) Courts Fines Rs. 50,000
- (ii) Stamp Fees Rss. 3,000,000

The stamp fees receivable by the Council from the Southern Provincial Council had not been received regularly over a number of years and that had adversely affected the development work of the Council. Bank overdraft interest had to be paid for the Bank overdrafts obtained to meet the other expenditure of the Council.

2.2.3 **Rates**

The following matters were observed.

- (a) The Secretary of the Council should take action in terms of Section 170 of the Urban Councils Ordinance (Cap.255) for the recovery of the arrears of rates in the area of authority of the Council. The list of Arrears of Rates for the year 2012 given to the revenue Inspection for collection of cash, the collections made out of that and the commission paid had not been furnished to audit.

- (b) The arrears of rates amounting to Rs.589,929 brought forward over a long period recoverable from 39 properties in the area of authority of the Council with arrears more than Rs.10,000 each as at 31 December 2012 had not been recovered.

- (c) The arrears of rates which amounted to Rs.2,744,779 as at 31 December 2011 had increased to Rs.6,125,936 as at 31 December 2012. The Revenue Inspector authorized to recover the arrears had collected a very significant sum of Rs.354,255.

2.2.4 Telecommunication Tower Charges

Subsidiary Legislation had been enacted by the Notification for the recovery of charges for the telecommunications towers constructed in the area of authority of the Council published in the Gazette No. 1,755 of 20 April 2012 for the recovery of Rs.50,000 per tower in the year 2012.

According to the written statement dated 07 October 2013 of the Revenue Inspector of the Council, The telecommunication tower constructed behind the Bank of Ceylon Branch Weligama had been used from the year 2012 and the sum of Rs.50,000 recoverable for the year had not been recovered.

2.2.5 Irregular Transactions

According to Rule 3(1)(1) of the Notification of the Southern Provincial Chief Minister and the Minister in charge of the subject of Local Government Published in the Gazette Extraordinary No.1413/15 of 05 October 2005. allowances should not be paid to the members who do not attend the Council meeting and the meetings of no committees of a particular month. Nevertheless, a sum of Rs.68,000 had been paid as members' allowance in the year 2012 to 07 members who had not attended the meetings. In addition. It was observed that the members had not obtained leave for medical reasons in terms of Rule 3(i)(iii) or obtained formal approval in terms of paragraph (2) of Rule 3.

2.3 Assets Management

Accounts Receivable

The value of the balances of the accounts receivable older than one year as at 31 December 2012 amounted to Rs.7,068,505.

2.4 Human Resources Management

(a) The approved cadre of the Council as at 31 December 2012 had been 113 and the actual cadre had been 154.

(b) According to the Management Services Circulars No. 14 of 03 January 2002 and No.28 of 10 April 2006, the recruitment of casual, substitute and contract employees by Local Authorities had been suspended. Nevertheless, 37 employees had been recruited contrary to such provision and a sum of Rs.4,073,442 had been paid in the year under review from the Council Fund as salaries. It had been emphasized that, if action surpassing the circular instructions is taken, the head of the institution is personally responsible for such action.

2.5 Operating Inefficiencies

(a) Out of the loan installments payable up to the end of the year under review on the loan of Rs.29,010,467 obtained in the year 2008 at 9 per cent interest for the construction of in New Town Hall and the New Town Council Office. Installments up to the second quarters of the year 2011 only had been paid and a sum of Rs.6,645,258 remained payable as at that date.

(b) Nine members including the Vice Chairman and 02 officers had not submitted the Declaration of Assets and Liabilities in respect of the year under review even up to 07 October 2013.

- (c) The audit fees payable for the years 1997 to the year 2010 amounting to Rs.3,433,090 had not been paid even by 31 August 2013.

3. Systems and Controls

Special Attention of the Council is drawn to the following areas of systems and controls.

- (a) Accounting
- (b) Financial Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Stores Control