

Weligama Urban Council
Matara District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 21 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 31 August 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Weligama Urban Council give a true and fair view of the financial position as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters were observed in audit.

- (a) The stamp fees revenue receivable for the year under review and the previous year had been understated by Rs.4,700,000 and overstated by Rs.1,185,991.
- (b) Court fines of Rs.185,559 and the garbage tax revenue of Rs.502,260 receivables had been understated in the accounts.
- (c) The no pay leave of Rs.2,145,791 recoverable for the previous year and the year under review had been omitted in the accounts.
- (d) The no pay leave of Rs.863,675 recovered for the previous year had been deducted from the Salaries and Wages Account of the year under review.
- (e) Provision had not been made for the pensionary contributions of Rs.8,555,176 payable.
- (f) The licence fees of Rs.245,280 receivable on behalf of tourist hotels had not been brought to account.

1.3.2 Unreconciled Accounts

A difference totalling Rs.5,449,055 was observed between the balances of 04 items of accounts in the financial statements and the related subsidiary registers/schedules.

1.3.3 Accounts Receivable and Payable

The following matters were observed.

(a) Accounts Receivable

- (i) Four balances totalling Rs.1,464,647 over 03 years had been included in the balances of revenue debtors totalling Rs.39,689,972 as at end of year under review.
- (ii) Ten balances totalling Rs.3,467,440 had been included in the financial statements continuously without action being taken to settle them.

(b) Accounts Payable

Fourteen balances totalling Rs.2,817,380 over 03 years had been included in the balances of accounts receivable totalling Rs.18,824,991 as at end of the year under review.

1.3.4 Lack of Necessary Documentary Evidence for Audit

Twelve items of accounts totalling Rs.130,062,204 could not be satisfactorily verified in audit due to non-remission of necessary information.

1.3.5 Non-compliance

1.3.5.1 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
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| (a) Section 164 (2) of (Chapter 255) of the Urban Councils Ordinance | One per cent of the annual revenue should be recovered from hotels, canteens and lodgings registered at the Sri Lanka Tourism Development Authority. However, fees had not been recovered from 04 hotels registered within the authoritative area. Proper recovery of lease rent had also not been made according to the accounting reports. |
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(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka

(i) Paragraph 2.6 of Chapter vi

History sheets had not been maintained for casual / substitute employees / labourers.

(ii) Paragraph 22.4 of Chapter xii

Monthly no pay leave reports of the employees of the Sabha had not been furnished to the Auditor General.

(c) Financial Regulations 756 and 757 of the Democratic Socialist Republic of Sri Lanka

The stock book should be reconciled as at 31 december of each year and the balances checked with the physical balances. However, such action had not been taken accordingly.

(d) Treasury Circular No. IAI 2002/02 of 28 November 2002

A separate register of fixed assets had not been maintained for computers, accessories and software totalling Rs.1,479,842 as at 31 December of the year under review.

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 2017 amounted to Rs.26,440,297 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.24,434,609.

2.2 Revenue Administration

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

The 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	2017				2016			
	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	10,050,000	10,588,176	9,284,411	7,089,244	19,800,000	6,466,613	8,973,523	5,785,479
Rent	15,897,200	12,809,606	11,178,912	5,426,584	12,665,000	990,952	11,392,601	3,795,890
Licence Fees	3,326,500	4,453,836	4,453,836	336,459	1,603,000	2,391,421	3,260,307	336,459
Other Revenue	45,456,000	30,435,604	25,102,453	27,419,003	49,946,000	27,569,287	8,481,935	22,085,852
Total	74,729,700	58,287,222	50,019,612	40,271,290	84,014,000	37,418,273	32,108,366	32,003,680

2.2.2 Performance in Collection of Revenue

The total estimated revenue of the year under review amounted to Rs.74,729,700 and the amount billed was Rs.58,287,222. The total arrears at the commencement amounted to Rs.32,003,680 along with which the total amount receivable amounted to Rs.90,290,902. However, the total revenue collected during the year amounted to Rs.50,019,612 resulting in a total arrears of Rs.40,271,290 as at end of the year.

2.2.3 Rates and Taxes

(a) Rates

The opening balance of rates of Rs.5,459,835 added to the billings of Rs.7,215,444 resulted in total receivables of Rs.12,675,379. The total recoveries from the opening arrears and billings amounted to Rs.5,932,102. As such, the arrears at end of the year was extensive sum of Rs. 6,743,277

(b) Garbage Tax

Bye – laws had not been enacted to levy garbage tax.

(c) Entertainment Tax

The opening balance of entertainment tax of Rs.325,643 added to the billings of Rs.296,011 resulted in total receivables of Rs.621,654 of which Rs.45,000 had been recovered from the arrears and Rs.230,689 had been recovered from the billings resulting in Rs.354,965 as at arrears.

2.2.4 Rent

The following matters were observed.

- (a) The opening balance of Rs.3,795,890 added to the billings of Rs.12,809,606 resulted in receivables of Rs.16,605,496. Recoveries were only Rs.10,048,613 from the billings and Rs.1,130,299 from the arrears. As such, the total arrears as at end of the year amounted to an extensive amount of Rs.5,426,584.
- (b) The last date of assessment of 82 stalls could not be found and assessment of 57 other stalls had not been made after 2012 in terms දළපා/පළාත/2010/01 of 27 December 2010. A sum of Rs.3,241,693 was recoverable from 53 stalls, the lease period of which had expired.
- (c) The Sabha had awarded the tender for the Thapparaththota fish stall for Rs.2,455,000 in 2017 without signing an agreement. As such, the recovery of arrears of revenue of Rs.1,253,683 as at end of the year was at risk. The tenderer also owed Rs.180,850 to the Sabha for the year 2015.

- (d) An arrears of Rs.408,198 was due from the Galbokka beef stall for the 03 previous years.

2.2.5 Licences Fees

The following matters were observed.

- (a) The opening arrears of Rs.336,459 of licence fees added to the billings of the year resulted in Rs.3,790,295 as receivable. None of the opening arrears had been recovered.
- (b) The sum of Rs.348,667 recoverable from 125 advertisement boards on 03 roads for the year under review and the previous year had not been recovered.

2.2.6 Court Fines and Stamp Fees

Court fines amounting to Rs.23,000 and stamp fees amounting to Rs.26,483,120 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Council in terms of Section 4 of the Urban Council Ordinance, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) **Bye - Laws**

Bye – laws should have been enacted to execute 15 main functions in terms of Section 157 of the Urban Councils Ordinance. However, bye – laws had been enacted for 05 functions alone even by 31 December 2017.

(b) **Action Plan**

Budgetary provision had not been made in accordance with the development projects to be executed in terms of the annual action plan prepared.

(c) **Non achievement of the expected output level**

Although a sum of Rs.20,397,421 had been spent on executing 06 miscellaneous functions, instances of non achievement of the expected output appear below.

Function	Estimated Amount	Value of Work done	Observations
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	Rs.	Rs.	
General Administration	275,000	125,783	Expected level not completed
Health Services	2,921,000	275,416	Expected level not completed
Physical Plans Highways and Land	22,454,000	19,729,541	Expected level not completed
Compost and Ranpohoniya	1,157,000	9,850	Expected level not completed
Public Utility Services	1,002,000	-	Not implemented
Welfare services	44,511,000	256,831	Expected level not completed
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	72,320,000	20,397,421	
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(d) Solid Waste Material Management

A sum of Rs.34,291,810 had been paid on behalf of salaries, vehicles and fuel in respect of 91 employees engaged in garbage collection pertaining to garbage management during the year under review. 29 employees engaged in carbonic fertilizer production had been paid Rs.10,486,796 as salaries. The carbonic fertilizer production from the degradable garbage collected was only 3.4 per cent and the sales revenue was Rs.1,670,720. The non degradable garbage had been haphazardly disposed near of the centre. The environmental licence obtained in this regard had expired on 20 April 2016.

(e) Sustainable Development Target

The Sabha had not prepared the long term plan for sustainable development target and the objectives in order to uplift the living standards of the public within the area of the Sabha through the global indicators relating to sustainable development objectives and targets as per 2030 agenda of sustainable development.

3.2 Management Inefficiencies

Out of the no pay leave of 2016 and 2017 of 31 employees, a sum of Rs.2,145,791 had not been recovered by 31 December 2017. Of this, Rs.937,612 had been recovered by 18 May 2018

3.3 Human Resources Management

Vacancies in 16 posts and excesses in 15 posts existed in the approved cadre. 04 employees had been recruited not in accordance with the provisions in circulars No. 03/2014 and 25/2014 of the Secretary to the Treasury and a sum of Rs.2,945,623 had been paid as salaries for the period 01 September 2015 to end of the year under review. In addition, salaries amounting to Rs.7,657,486 had been paid to 07 employees up to 31 December 2017. These employees had been engaged in services from 2012 to 2015 without any appointment letters.

3.4 Assets Management

3.4.1 Idle / Under utilized Assets

Action had not been taken for over 03 years to repair and make use of, or to dispose of 04 hand tractors of the Sabha valued at Rs.293,000. Meanwhile, 06 vehicles valued at Rs,20,826,010 had been under utilized.

3.5 Uneconomic Transactions

The total revenue of the compost and ranpohoniya sales centre of the year under review amounted to Rs.9,191,535. An expenditure of Rs.21,958,457 had been made on salaries and allowances and other recurrent expenditure for this programme. The fruits purchased and discarded for the ranpohiniya centre had not been supervised by an execute officer. An on the spot inspection made on 18 May 2018 revealed that the particles of fruits discarded had been packed in 59 ice cream containers. Fruits had been haphazardly stored.

3.6 Procurement

3.6.1 Procurement Plan

A procurement plan had not been prepared for the, year under review. A sum of Rs.31,876,097 had been spent on work, goods and services during the year.

3.6.2 Contract Administration

The Sabha had spent Rs.295,240 for laying 836,375 square metres of inter connected block stones for 6 work by exceeding the approved rates specified in the quotations.

4. Accountability and Good Governance

Significant variances were observed between the budgeted and actual revenue and expenditure of the year under review as shown below. It was thus observed that the budget had not been utilized as an efficient instrument of management control.

- (a) Savings in 08 Objects amounting to Rs.86,963,768 ranged from 2 per cent to 69.4 percent.
- (b) Adverse variances in 06 items of revenue totalling Rs.76,048,770 ranged from 4.1 per cent to 80.2 per cent.

4.2 Internal Audit

An internal audit unit had not been established even by end of the year under review in terms of Financial Regulations 133 and 134 of the Republic of Sri Lanka and the circular of the Commissioner of Local Government, Southern Province bearing දළපා/යන/01/න.ව.ලේ. of 24 February 2014.

4.3 Audit and Management Committees

Although Audit and management Committees had been established in terms of the Management Audit Circular No. DMA/2009 (i) of 09 June 2009, 02 meetings alone had been conducted during the year 2017.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

- (a) Fixed Assets
- (b) Collection of revenue
- (c) Budgetary Control
- (d) Control over Expenditure
- (e) Stores Control
- (f) Accounting