

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 2023 comprising the Statement of financial position as at 31 December 2023, Statement of Financial Operations, Statement of changes in net assets 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 provisions of the National Audit Act No. 19 of 2018, Sub-Section 181 (1) of the Urban Councils Ordinance (Chapter 255). 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 financial statements give a true and fair view of the financial position of the Weligama Urban Council as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Practices.

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 Practices, 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 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 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 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 utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

National Audit Act, No. 19 of 2018 include specific provisions for following requirements.

- The financial statements of the Urban council 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.
- The financial statements presented includes all the recommendations made by me in the previous year 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 Observation	Comments of the Council	Recommendation
(a) Six machineries worth Rs.639,000 which had not accounted under cars and carts and they were not physically available and their details had not been submitted for audit.	That will be corrected in the future	Action should be taken to properly accounted for.
(b) Although the sum of the balances as per the balance confirmation certificates of two inactive current accounts is Rs.4,514, It was stated as an overdraft of Rs.119,417.	That will be corrected in the future	Action should be taken to properly accounted for.
(c) Business tax and trade license fees due from 32 business establishments amounting to Rs.361,388 were not accounted and The income due from 02 heads of income had been under -stated by Rs.459,021.	That will be corrected in the future	Action should be taken to properly accounted for.
(d) Provision had not made under creditors for Rs.976,275 payable for the development of a road in the council area.	That will be corrected in the future	Action should be taken to properly accounted for.
(e) The remaining stock value of Rs.836,873 of the electrical goods and the Ran Pohoniya owned by the council had been under-stated	That will be corrected in the future	Action should be taken to properly accounted for.

1.6.2 Non-reconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
The opening balance of the reviewed year shows a difference of Rs.21,338,901 between the journal entry value and the ledger balance value of 16 subjects and there was a difference of Rs.4,946,077 between the balances of 2 accounting subjects shown in the financial statements and the balances shown in the related utility documents/schedules.		The differences in the respective balances should be compared and the accounts corrected.

1.6.3 Lack of Documentary Evidences for Audit

Audit Observation	Comments of the Council	Recommendation
Due to non-submission of necessary information, 08 accounting subjects totalling Rs.27,215,722 could not be satisfactorily verified during the audit.	Documents are updated and schedules cannot be found..	Evidence should be submitted to confirm the account balances shown in the financial statements.

1.7 Non- Compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a) Code of Finance Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) F.R. 571	Till the end of the year under review, 54 deposit balances with a total value of Rs.1,658,628 exceeding 2 years had not been settled.	That will be settled in the future.	Actions should be taken according to the Finance Regulations.

(ii) F.R. 772(1)	11 items of disposable goods removed from use and 32 units of goods to be destroyed had not been destroyed or auctioned.	That it will be disposed or auctioned in the future.	Action s should be taken according to the Finance Regulations.
(b)	Vehicle Management Circular No. 03/2018 dated 10 October 2018	The council had not taken steps to cancel the registration of 02 vehicles that were disposal in the year 2020 and 2021.	That the relevant officials have been informed for In the case of disposal of vehicles, the registration shall be cancelled and the vehicles shall be disposal

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 2023 amounted to Rs. 9,496,600 as compared with excess of revenue over recurrent expenditure amounted to Rs. 22,120,182 in the preceding year.

2.2 Financial Control

Audit Observation

Necessary action had not been taken regarding 2 bank accounts which were shown as an overdraft of Rs.119,417 which had been inactive for a long time.

Comments by the Council

That the balances are correctly accounted for after ascertaining the reasons for the variation and making the necessary adjustments.

Recommendation

Action should be taken on dormant bank accounts.

2.3 Income Administration

2.3.1 Estimated income, billed income, collected income and arrears of income

Source of Revenue	2023			2022				
	Estimated Revenue	Revenue billed	Collected Income	Estimated Revenue	Revenue billed	Billed Income	Estimated Revenue	Revenue billed
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates & taxes	15,350,000	15,802,122	15,248,126	13,294,637	15,300,000	12,384,551	12,089,483	12,740,641
Rent	29,264,000	24,603,277	25,239,861	20,280,675	22,576,000	22,544,981	19,830,187	20,917,259

Licence fee	4,314,500	10,354,532	9,801,932	889,059	8,463,000	5,427,875	5,641,995	336,459
Other income	15,473,000	11,815,334	11,852,035	812,192	17,494,000	12,741,299	13,200,373	848,893
Total	64,401,500	62,575,265	62,141,954	35,276,563	63,833,000	53,098,706	50,762,038	34,843,252

2.3.2 Performance of Collecting Income

	Audit Observation	Comments by the Council	Recommendation
(a)	A balance of arrears of Rs.12,316,720 in relation to rates units 4889 were prevailed.	It is conducted Mobile services, sent red notices and taken actions to collect arrears rates through filed officers	Arrears income should be collected promptly.
(b)	The shop rent to be collected from 228 shops was Rs.10,841,916, and in that outstanding balance, there was a balance of Rs.4,250,021 to be collected from 113 shops that exceeded 02 years.	That arrangements are being made to collect arrears by using field officers and legal proceedings are being carried out.	Arrears income should be collected promptly.
(c)	06 shop rooms belonging to 2 shopping malls owned by the council were not used and closed.	That the tender is to be made after the repairs of the shop are done.	Arrangements should be made to lease the shops promptly.
(d)	According to paragraph 05 of Circular No. දළඵා/පළාතේකා/2010/01 dated on 27 December 2010 of Southern Province, Local Government Commissioner, 13 shop rooms owned by the council were leased without entering into legal agreements with the shop owners and, Its time span was between 39 years and 05 years. Also, although the agreement reached should be updated once in 03 years, it would have taken between 04 months and 12 years after ending the agreement period of 77 shops.	Informed by continuous letters, legal work is being done and contract updating work is being done.	It should be proceeded as per the circular.
(e)	According to paragraph 04 of the said circular, the sum of Rs.487,500 was not recovered from 3 shops belonging to 03 shopping malls owned by the council and, according to paragraph 11, the attention of the council was not focused on taking legal action against the registered lessees of 04 shops belonging to 02 shopping	That there have been continuous notifications through letters to get the money and that it is going to be taken over or legal action will be taken in the future.	It should be proceeded as per the circular.

malls owned by the council, which are being used by other parties.

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| (f) | Although 16 years have passed since the rent assessment of 02 shop rooms, action has not been taken to update. | Renovation of shop rooms is going on now and new valuation will be taken after completion of renovation works. | The actions should be taken to update assessment. |
| (g) | 10 shops belonging to 02 shopping malls had been closed due to various reasons and arrears of shop rent of Rs.1,306,860 had to be collected from them. | That several shop rooms have been taken over to the council and the finance committee has approved re-tendering after the repairs are done. | All shops owned by the council should be used. |

3. Operational Review

3.1 Execution of Functions Assigned by the Act

The following are the facts observed regarding the performance of the council's duties of regularizing and controlling the matters of public health, public utility services and public roads, the comfort, convenience and welfare of the people under section 4 of the urban Council Ordinance.

Audit Observation	Comments of the Council	Recommendation
(a) As the council did not have a formal arrangement for the disposal of non-marketable non-biodegradable waste, they were covered with soil in the compost area and no formal arrangement was made for the disposal of the electronic waste that was collected.	That plastic will be recycled and other waste will be sold, and that a formal program will be implemented for the remaining waste in the future.	A formal waste management program should be implemented.
(b) The environmental protection license had not been taken for the Compost Project and Plastic Recycling Program at Paman Ekala Land, Kapparathota.	That they will work to get the environmental license in the future.	Environmental protection licenses should be obtained for waste management programs.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The council had not settled the contributions of Rs.9,541,702 to be reimbursed to the pension department.	After receiving the relevant confirmations, the remaining payments will be made in the future.	Arrangements should be made for immediate settlement.
(b) In the year 1993, the plot of Rood 05, 04 perches of, which had been assigned to the council for public purposes, was being used by the adjacent land owner, who removed the fence boundaries. Another party had also built a house here. The council had not taken any legal action regarding this unauthorized use.	That the land will be surveyed and fenced to settle the boundaries.	Land owned by the council should be settled.
(c) Under the pre-school project implemented in the year 2002, Jayavikungama pre-school was started with the facilities of providing education for 100 children with 05 classrooms and 05 toilets for the development of children displaced by the tsunami in Weligama urban area by spending Rs.06 million and, During the field inspection conducted on 03 November 2023, the doors of this building were broken, the roof was dilapidated, the inside was wet and the walls were damaged, and a group of outsiders had settled in a part of it. This pre-school building had not been given the necessary maintenance and attention to preserve it, and had been neglected and left to decay for a long time.	The illegal occupants have been notified in writing to vacate, and legal action will be taken in the future if they do not vacate.	The property of the council should be protected.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Development permits were not obtained for 03 buildings constructed outside the provisions of section 28 (1) of the Gazette Notification No. 2235/54 dated 08 July 2021 containing the Planning and Development Orders/Regulations of the Urban Development Authority 2021 and, construction had been carried out without allocating proper spaces for parking for 02 buildings. Also, according to the above announcement, information was not submitted that development permits had been obtained for 02 newly constructed buildings, and the constructions were carried out in violation of the building restrictions.	That they have been informed through letters and will take regular action in the future.	It should be proceeded as per gazette notification.

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| (b) | A resident of Weligama, Kohunugamuwa had been issued a development permit for the construction of a three-storied commercial and residential building measuring 214.68 square meters at assessment number 354/21. Although this building was constructed within the limit of 50 feet from the center of Sirimavo Bandaranaike Mawatha during the inspection, it was not constructed within the building boundary from the rear edge of the building. Further, although approval had been given for the construction of a three-storied building, concrete pillars had also been erected for the construction of the fourth floor. | Through the letters, awareness has been given to regularize the unauthorized constructions, and if not, legal action will be taken. | Action should be taken against unauthorized constructions. |
| (c) | A development permit was issued on 24 October 2023 for a four-storied commercial building in front of the Pelena Roundabout, and during the sample field inspection on 03 November 2023, a four-story building measuring 18.60x7.40 meters had been constructed. Even when the plan was approved on 24 October 2023, it was seen that the construction of the building had started without approval. The building was constructed not in accordance with the approved plan by including the plot reserved for parking in the approved plan. | In the letter dated 08 February 2024, it has been informed about the facts observed during the field inspection, and that a reminder letter will be issued. | Action should be taken against unauthorized constructions. |

3.4 Contentious transactions

Audit Observation	Comments of the Council	Recommendation
(a) An amount of Rs. 406,400 was spent from the council fund for buses obtained on rental basis in the previous and reviewed years to provide transportation facilities for the management service officers of the Weligama urban Council for the annual conference of the State/Provincial Management Service Officers Association. Although no legal provision has been made for such payments by the Establishment Code, Financial Regulations and Circular Provisions, it is observed that making payments from the council fund to private parties for the purpose of providing transport facilities for the participation of officials to trade union conventions in this way is not a legal payment.	That he acted according to the letter with the approval of the Governor and the Chief Secretary.	It should be acted in accordance with the provisions of the Establishment Code, Financial Regulations and Circulars.

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| (b) | Salary and allowances of Rs.93,880 were paid for the months of February and March of the year under review to a management service officer who did not report to the service of the council, in contrary to Financial Regulation 237. The said officer had not reported for duty even on the last day of the year under review and there was a salary and distress loan balance of Rs.286,224. | That the due salary and calamity loan balance will be collected from the concerned officer in the future and legal action will be taken if the related payments are defaulted. | It should be acted as per Financial Regulations. |
| (c) | In the year 2021, a third party filed a case against the technology officer of the council against the demolition of a wall that was built blocking the road at Deniyawatta No. 59/1, Kohunugama, and the officer was given an unfavourable decision and, for that, lawyer fees of Rs.71,200 were paid from the council fund. Although it was informed that the officer has submitted an appeal in this regard, the council did not have details about it. | As it is a private case between the two parties, the urban council has no other information about the current situation. | Document files should be kept up to date. |

3.5 Idle or Underutilized Property, Plant & Equipment

Audit Observation	Comments of the Council	Recommendation
(a) The underground biogas unit built in the compost yard maintained at Kapparathota Paman Ekala land was currently inactive, and the council did not have any information about this biogas unit.	That a feasibility report be prepared on the benefits that can be obtained by renovating and activating the biogas unit and then take relevant actions.	Repairs should be made as soon as possible.
(b) 04 properties owned by the Weligama Urban Council were not being used for any effective purpose and were being left idle without maintenance and these properties were being destroyed.	That repairs are being made.	Repairs should be made as soon as possible.
(c) In the year 2012, 16 units of various assets in the land of Ranpohoniya Alevisala, which had been built and maintained in a part of the compost project land owned by the council, are not being used for any purpose, and the land has collapsed and the construction has been destroyed. Further, the Council's attention had not been paid to take required actions for the construction work of the 136.56 square meters two-storeyed building, which was completed and ready for use, and the building where Ranpohoniya Alevisala is maintained, which is currently in a dilapidated condition, was also repaired and the necessary measures were taken to increase the sales activities.	That unused assets will be put to effective use in the future.	The assets owned by the council should be properly maintained.

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| (d) | 04 vehicles and machinery owned by the council with a value of Rs.24,700,000 had not been repaired or disposed of as per the Southern Province Chief Secretary's circular dated 22 May 2018 SS/03/12/05 even by the end of the year under review. | That the repairs of the 2 tractors are going to be done, that the vibrating roller and the motor grader are going to be given or exchanged to another council. | It should be proceeded as per circular provisions. |
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3.6 Human Resource Management

Audit Observation	Comments of the Council	Recommendation
11 primary grade workers employed by the Weligama ubarn Council were assigned other duties without assigning the prescribed duties related to the position and an amount of Rs.5,065,950 was spent during the year under review. It is also observed that due to the non-assignment of related duties to the workers who had been recruited, it is not possible to carry out the public welfare, health and road maintenance activities as scheduled and the purpose of the recruitment has not been achieved.	That assignments of duty have been made on the basis of service requirement.	Duties related to the position should be assigned.