

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Weligepola Pradeshiya Sabha for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, cash flow statement, statement of changes in equity, significant accounting policies and the summary of other explanatory 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 the sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and 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 Weligepola Pradeshiya Sabha 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 Practices.

**1.2 Basis for Qualified Opinion**

My opinion is qualified based 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 Responsibility for the Audit of 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 financial reporting process of the Pradeshiya Sabha.

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

**1.4 Audit Scope (Auditor's Responsibility 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 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 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 contents of the financial statements including the disclosures and whether the financial statements represent the underline 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 Pradeshiya Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Pradeshiya Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Pradeshiya Sabha;
- Whether the Pradeshiya Sabha 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 contains special provisions regarding the following requirements.

- (a) As per requirement mentioned in Section 6(1) (d) (iii) of the National Audit Act No. 19 of 2018, the financial statement of the Pradeshiya Sabha is corresponded with financial statements of the previous year.

- (b) The recommendations made by me during the previous year are included in the financial statements as requirement by Section 6 (i) (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) 05 Lands of 1.1508 hectares and a cab owned by the council and Rs. 3,520,706 cost of 02 buildings were not accounted.	This will be assessed and accounted.	It should be corrected.
(b) The construction cost of Opanayaka Hela Bojun shop was under-accounted by Rs. 1,418,022.	That assets are correctly identified and accounted.	-Do-
(c) A recurrent expense of Rs. 206,668 was accounted as a fixed asset. [	It will be corrected in the year 2023.	-Do-
(d) Receivable notice board charges, machine rental income and water supply charges amounting to Rs. 609,800 were not accounted.	-Do-	-Do-
(e) Creditors and debtors on behalf of 02 industries indicated increase of Rs. 4,020,702 each.	-Do-	-Do-

### 1.6.2 Unreconciled Control Accounts

Audit Observation -----	Comments of the Council -----	Recommendation -----
There was a difference of Rs. 4,083,900 between the balance of 02 assets subjects according to the balance of financial statements and the balance according to the source document.	As the relevant source documents are not available, a new assessment will be made and corrected.	Should be identified the reasons for difference and resolved.

## 1.7 Non-compliance

### Non-compliance with Laws, Rules, Regulations and Management Decisions

Non-compliance with Laws, Rules, Regulations and management decisions are as given below.

<b>Non-compliance</b> -----	<b>Comments of the Council</b> -----	<b>Recommendation</b> -----
(a) Issued advances of Rs. 2,407,998 in contrary to the Financial Regulation 371 (5) between the years 1988-2014 were not settled. Also, overdue various deposits of Rs. 277,046 related to the period between 1996-2020 were not settled as per Financial Regulation 571(2).	The report of the committee appointed to check the advance transactions was submitted to the department and the deposited money was settled.	Action should be taken as per the Financial Regulations
(b) By-laws were not enacted for 12 main matters under section 126 of the Pradeshiya Sabha Act.	Standard by-laws and by-laws imposed by the Provincial Council have been adopted. Necessary by-laws are being prepared.	Should be act as per the Pradeshiya Sabha Act.

## 2. Financial Review

### 2.1 Financial Result

According to the submitted financial statements, the expenditure exceeding the recurrent income of the council for the year ended 31 December 2022 was Rs. 5,281,783 and the correspondence income exceeding the recurrent expenditure of the previous year was Rs. 1,051,85

### 2.2 Revenue Administration

#### 2.2.1 Estimated income, billed income, collected income and arrears of income

According to the information submitted by the council, the information about the estimated income, billed income, collected income and arrears of income related to the year under review and the previous year is given below.

Income Source	Estimated income	2022		Total deficit as at 31 December	Estimated income	2021		Total deficit as at 31 December
		Billed income	Collected income			Billed income	Collected income	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assessments and tax	9,383,172	8,011,088	8,278,319	5,262,269	8,525,172	7,717,443	7,625,223	2,726,214
Rentals	4,845,216	4,564,728	4,508,644	158,963	2,000,815	1,771,754	1,738,838	120,658
License fee	1,598,250	1,218,125	1,218,125	-	1,724,000	1,290,910	1,285,650	-
Other income	<u>4,591,300</u>	<u>1,350,834</u>	<u>1,350,834</u>	-	<u>2,962,800</u>	<u>1,966,345</u>	<u>1,966,345</u>	-
	<u>20,417,938</u>	<u>15,144,775</u>	<u>15,355,922</u>	<u>5,421,232</u>	<u>15,212,787</u>	<u>12,746,452</u>	<u>12,616,056</u>	<u>2,846,872</u>

## 2.2.2 Performance of the Revenue Collection

The observations regarding the performance of the revenue collection of the council are given below.

<b>Audit Observation</b> -----	<b>Comments of the Council</b> -----	<b>Recommendation</b> -----
(a) There was an outstanding assessment balance of Rs. 1,969,517 more than 05 years and an outstanding acre tax balance of Rs. 71,034 older than 03 years as at 31 December 2022.	Arrears of assessment will be charged. Acre tax is being verified and Rs. 35,174 has been collected from the arrears from the year 2022.	Arrangements should be made to collect the arrears of revenue.
(b) There was no survey of displayed notice boards. Only Rs. 203,775 had been received out of the billed income of Rs. 700,000 for the year 2022.	A notice board survey will be conducted for the year 2023 and the arrears of revenue will be collected from notice boards.	Arrears should be collected promptly.
(c) Charges were not charged from all telephone towers. Although the council had taken a decision, no legal action had been taken against the unauthorized transmission tower and the damage they caused to the road.	That reminders are sent to institutions for arrears and that the institution has been informed to remedy the situation.	Arrears of revenue should be collected and legal action should be taken as per council decision.
(d) 54 Out of the 55 institutions that should obtain environmental permits in the year 2022 had not obtained permits.	That the institutions will be re-informed.	It should be done according to the National Environmental Act.

## 3. Operational Review

### 3.1 Operational Inefficiencies

<b>Audit Observation</b> -----	<b>Comments of the Council</b> -----	<b>Recommendation</b> -----
(a) Although assessable property should be assessed once in 05 years, no property has been assessed since the year 2013.	Hon. Governor has given approval to assess the tax properties.	Should be act as per the section 20 of the Tax and Assessment Act No. 30 of 1946.
(b) 349 Meters of water purchased for Rs. 2,031,180 in the year 2021 remained unused by January 2023. However, due to inactivity of 449 water meters, only the fixed fee was being charged. Water charges as at 31 December 2022 amounting to Rs. 2,700,036 were to be charged and there was a balance of	Although water meters are available, there has been some delay due to the shortage of accessories in the market and the increase in their prices. Those arrangements are made to recover outstanding balances.	Arrangements should be made to install water meters and collect the arrears of rent.

Rs. 921,744 which was more than one year old.

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| (c) | <p>Although Rs. 5,723,324 was spent on 10 employees and 04 vehicles and machinery to dispose about 41 metric tons of garbage annually, environmental problems had arisen by dispose the garbage to the open environment. Also, although Rs. 2,280,804 had been spent in the year 2021 for the construction of a compost yard, the compost production could not have started because the work had not been completed. The baler machine, which was receivable at Rs. 950,000 in the year 2022 for non-perishable waste, was also unused due to the lack of three-phase electricity supply.</p> | <p>After constructing a compost yard and starting compost production, it will be possible to solve the environmental problems associated with solid waste. An estimate for the acquisition and construction of three-phase electricity has been referred to the Finance Committee of the council.</p> | <p>Solid waste management plans should be developed and implemented.</p> |
| (d) | <p>A loan balance of Rs. 78,850 more than 09 years old was not recovered from three employees.</p>  | <p>02 Loan balances are being settled. That the remaining money will also be charged.</p>   | <p>Outstanding loan balances should be recovered.</p>                    |

### 3.2 Utilization of Vehicles

<b>Audit Observation</b> -----	<b>Comments of the Council</b> -----	<b>Recommendation</b> -----
<p>04 scrap vehicles were not disposed and 05 vehicles were not owned, seized or returned.</p>	<p>That the information about the vehicles to be disposed has been submitted and the acquisition of the vehicles will be done according to the recommendations of the Local Government Department.</p>	<p>Should be act as per the circular provisions.</p>