

## **Weligepola Pradeshiya Sabha - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Weligepola Pradeshiya Sabha for the year ended 31 December 2023 comprising the Statement of financial position, statement of financial performance, Cash Flow Statement, Statement of changes in equity the year and significant accounting policies and other explanatory information was carried out, for the year then ended 31 December 2023 , 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 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 financial statements give a true and fair view of the financial position of the Weligepola Pradeshiya Sabha 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 financial reporting process 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 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 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 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 it has performed according to its powers, functions and duties; and

- Whether the resources of the Pradeshiya Sabha 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 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.
- 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) Capital expenditure of Rs.222,600 had been accounted as operating expenditure.	Will be capitalized in the coming year.	Should be properly accounted for.
(b) 04 lands of 0.9371 hectares owned by the Sabha and a cab worth Rs.625,000 were not capitalized.	-Do-	-Do-
(c) Rs.25,433,296 worth of vehicles were shown under the account of machinery and equipment.	Will be corrected it.	-Do-

## 1.7 Non- Compliances

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

Audit Observation	Comments of the Council	Recommendation
(a) According to Finance Regulation 371 (5), advances of Rs.828,505 given in 14 cases between the year 2007	Further work on outstanding advances is in progress.	Action should be taken as per the Finance Regulations.

and the year 2022 were not settled.

- (b) As per Finance Regulation 571 (2), overdue deposits of Rs.1,220,885 relating to the period from 1996 to 2021 were not settled. At the end of every year, the deposits are settled. Action should be taken as per the Finance Regulations.

## 2. Financial Review

### 2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs.4,630,333 as against the excess of recurrent expenditure over revenue amounted to Rs.5,281,783 in the preceding year.

### 2.2 Revenue Administration

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

According to the information presented by the Secretary, the following is the information about the estimated income, billed income, accumulated income and arrears related to the year under review and the previous year.

Income Source	<u>2023</u>				<u>2022</u>			
	Estimated Income Rs.	Billed income Rs	Collected income Rs	Total deficit as at 31 December - Rs.	Estimated income Rs	Billed income Rs.	Collected income Rs.	Total deficit as at 31 December Rs.
Assessments and taxes	11,793,304	12,465,214	12,109,948	5,542,701	9,383,172	8,011,088	8,278,319	5,262,269
rental	9,150,546	10,091,636	10,279,253	91,797	4,845,216	4,564,728	4,508,644	158,963
License fees	1,400,500	1,540,350	1,660,350	-	1,598,250	1,218,125	1,218,125	-
Other income	<u>3,496,500</u>	<u>2,347,569</u>	<u>2,407,108</u>	<u>-</u>	<u>4,591,300</u>	<u>1,350,834</u>	<u>1,350,834</u>	<u>-</u>
	<u>25,840,850</u>	<u>26,444,769</u>	<u>26,456,659</u>	<u>5,634,498</u>	<u>20,417,938</u>	<u>15,144,775</u>	<u>15,355,922</u>	<u>5,421,232</u>

## 2.2.2 Performance in Revenue Collection

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) In the outstanding assessment balance of Rs.1,868,095 as at 31 <sup>st</sup> December, 2023, and there is a balance of Rs.1,467,796 which is older than 05 years.	Mobile programs as well as legal action are also planned to collect this money.	Action should be taken to collect outstanding revenue.
(b) For the year 2023, Rs.198,600 should have been received from 48 billboards.	Action will be taken to inform the relevant institutions.	-Do-

## 3. Operational Review

### 3.1 Solid Waste Management

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
The composting work at the garbage yard, which was completed in 2022 at a cost of Rs.4,413,445, had not been started by December 2023. Therefore, about 02 tons of perishable garbage collected daily was being disposed of by cutting pits. The baler machine of Rs.950,000 received in the year 2022 is also unused due to lack of electricity supply.	It is planned to finish the work and start the production of compost based on the funds received.	Action should be taken to properly managed Garbage.

### 3.2 Operational Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) Although employees in “Hela Bojun Hala” were paid an average monthly salary of Rs.336,000, but its monthly average income was around Rs.370,000. Accuracy of income was also problematic due to lack of proper maintenance of documents.	At present, receipt of income is clearly filed and records are maintained.	Proper documentation should be maintained and action should be taken to increase income.
(b) The water supplied to 2159 water consumers was confirmed to be Inappropriate for drinking. As 165 meters of used water were inactive, a fixed rental was being charged from the customers. Also, outstanding water charges of Rs.1,433,323 had not been collected from 2018 water consumers as at 30 <sup>th</sup> April, 2024.	The Water Supply and Drainage Board has been informed to treat the water. Due to the presence of silt mixed with water, if new meters are installed, the meters may also malfunction quickly.	Action should be taken to purify and distribute water and collect arrears.
(c) As the decision taken in May 2023 to remove the inactive internal telephone system was delayed until February 2024, the fixed rental of Rs.128,322 paid during that period were an useless expense.	By March 2024, the intercom system has been disconnected.	Government money should be spent as very sparingly

### 3.3 Management of Vehicle fleet

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) The ownership of 04 vehicles had not been taken over which existed since before the year 2014.	Letters have been sent to take over the ownership of 03 vehicles.	The ownership of the vehicles should be taken over.
(b) Six abandoned vehicles were not repaired or abused till April 2024. Out of that a tractor that was handed over for repair in the year 2014 has not been repaired till now.	Arrangements are being made to appoint a committee for abuse.	Action should be take according to the provisions of No. 05/2020 and asset management circular dated 02 October 2020.