

## Weligama Pradeshiya Sabha - 2022

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### **1. Financial Statements**

#### **1.1 Adverse Opinion**

The audit of the financial statements of the Weligama Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Statement of financial position as at 31 December 2022, Statement of Financial Operations, statement of changing Equity, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 the provisions of the 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 do not give a true and fair view of the financial position of the Weligama Pradeshiya Sabha as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Principles.

#### **1.2 Basis for Adverse Opinion**

I expressed adverse 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 adverse 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 Principles 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 Pradeshiya Sabha's financial reporting process.

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.

#### **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 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 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**

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

## 1.6 Audit observations regarding the preparation of financial statements

### 1.6.1 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) Receivable Advertising board fees from 10 Advertising boards amounting to Rs.403,600 as at the end of the year under review had not been accounted.	Agreed	Should be accounted correctly.
(b) The value of the TAFE Tractor Trailer amounting to Rs. 330,000 belonging to the Sabha had not been accounted under Motor Cars and Carts.	Agreed	Should be accounted correctly.
(c) Construction Debtors amounting to Rs. 967,925 receivable before the end of the year under review for the preceding years had not been accounted.	Agreed.	Should be accounted correctly.
(d) Miscellaneous Credit Provisions had not been made for an amount of Rs. 113,699 to be paid to the Local Government Pension Contribution fund in the year under review.	Agreed.	Should be accounted correctly.
(e) Construction Creditors were overstated by an amount of Rs. 10,785,409 as at the end of the year under review.	Agreed.	Should be accounted correctly.
(f) A Credit Balance had been understated by an amount of Rs. 49,425,340 when balancing 02 items of Accounting as at the end of the year under review.	Agreed	Should be accounted correctly.
(g) Warrant Fees and Fines have been overstated by an amount of Rs. 5,093,543 as at the end of the year under review.	Agreed	Should be accounted correctly.
(h) The revenue amounting to Rs. 303,524 obtained from 04 headers of income according to the Summary of Monthly Consolidated Receipts in the year under review had not been Credited to the relevant Accounts.	Agreed	Should be accounted correctly.
(i) The revenue relevant to 03 Heads of Income had been overstated by an amount of Rs. 2,151,366 in the year under review.	Agreed.	Should be accounted correctly.
(j) The amount of Rs. 3,106,381 spent for the Development of land and buildings in the year under review had not been Capitalized under Land and Building.	Agreed	Should be accounted correctly.

(k)	Capital expenditure had been overstated by an amounting to Rs. 790,000 in the year under review.	Agreed.	Should be accounted correctly.
(l)	Expenditure relevant to 04 Expenditure heads amounting to Rs. 6,880,139 had been overstated in accounts in the year under review.	Agreed	Should be accounted correctly.

### 1.6.2 Non reconciled control account or records

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs. 9,144,101 in between the balances of 05 accounting items which totaled Rs. 136,433,538 included in the financial statements and the balances shown in the relevant documents/schedules.	Agreed.	Action should be taken to rectify accounts after changing the relevant Balances.

### 1.6.3 Lack of Documentary evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
Due to non-submission of required information, 13 accounting items totaling Rs. 75,950,516 could not be satisfactorily vouched during the audit.	Agreed.	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, Regulation and Management Decisions

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below.

Reference to Laws, Rules, Regulation and Management Decisions	Non – Compliance	Comment of the Sabha	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F. R. 104 (4)	The Final report relevant to the accident incurred to a Cab and a Tipper belonging to the Sabha in the year under review had not been submitted according to the Financial Regulations and an amount of Rs. 355,924 had been spent for the repair of the Tipper.	Agreed.	Action should be taken according to the Financial Regulations.
(b) Paragraph 02 (1) of the Circular No. 09/2009 (I) and dated 17 June 2019 of the	A daily wages of Rs. 962,899 had been paid in the year under review for 04 Substitute Employees of the Weligama Pradesiya Sabha without	Agreed.	Action should be taken according to the Circular.

	Public Administration	assigning duties or recording the Arrival and Departure on the Fingerprint Machine.		
(c)	Paragraph 3 (xvi) of Circular of National Budget No. 03/2022 dated 26 April 2022 and Paragraph 132 (a) of Pradesiya Sabha Act No. 15 1987.	An expense of Rs. 378,330 had been incurred from the Council Fund by the Weligama Pradesiya Sabha for a Religious Festival and the Prior approval of the Minister was not obtained by a Letter.	Agreed.	Action should be taken according to the Circular.
(d)	Pradeshiya Sabha Act No. 15 of 1987, Pradeshiya Sabha (Financial and Administration) 1988, National Budget Circular No. 3/2022 dated 26 April 2022.	An amount of Rs. 1,150,000 was paid to a particular Television Institute by hinting to advertise the activities of the Weligama Pradeshiya Sabha in the year under review and the expense was incurred contrary to the guidelines.	The expense was incurred for the promotion of sale of Compost fertilizer.	Action should be taken according to the Regulations and Circulars.
(e)	Paragraphs 19 and 132 of the Pradeshiya Sabha Act No. 15 of 1987.	An amount of Rs. 5,871,477 had been paid to a Farmer's Organization and 04 Contractors for the Development of 19 Waterways and an Excavator belonging to the Sabha had been used for 147 hours consuming 882 liters for the excavation of 08 Waterways for the removal of mud situated in the area of authority of the Sabha which are not in the Scope of Work of the Pradeshiya Sabha using Council Funds without approval.	It was initiated under the agreement of all the intuitions.	Contracts should be initiated formally.

## 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 amounted to Rs. 89,001,946 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 95,226,175 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 chairman, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are given below.

Source of Revenue	2022				2021			
	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
Rates and Taxes	31,735,300	22,693,922	16,944,134	30,999,727	27,035,300	27,232,944	18,059,413	25,249,939
Rent	6,370,000	2,896,359	3,483,791	1,709,922	4,240,000	2,280,037	1,830,580	2,297,354
License Fees	11,960,100	2,570,341	1,891,059	876,191	12,960,100	4,039,889	4,233,216	196,909
Other revenue	30,918,100	135,864,078	136,205,521	4,152,703	19,388,100	16,861,928	14,583,602	4,494,146
<b>Total</b>	<b>80,983,500</b>	<b>164,024,700</b>	<b>58,524,505</b>	<b>37,738,543</b>	<b>63,623,500</b>	<b>50,414,798</b>	<b>38,706,811</b>	<b>32,238,348</b>

### 2.2.2 Performance in Revenue Collection

Following observations were made regarding the Performance of Collection of revenue of the Sabha.

Audit Observation	Comment of the Sabha	Recommendation
(a) The arrears of assessment amounted to Rs. 25,103,295 as at the beginning of the year under review and the total receivable amount for the relevant year amounted to Rs. 47,602,938 including the amount of Rs. 22,499,643 billed for the relevant year from 22708 Assessment Units. As the total collection within the year amounted to Rs. 10,665,396, and there was an arrears amounting to Rs. 30,863,928 relevant to 17124 Assessment Units.	Agreed.	Arrears of Income should be collected as soon as possible.
(b) An arrears Shop Rent amount of Rs. 1,324,563 from 35 of the 62 Shop Rooms belonging to the Sabha was receivable as at the end of the year under review.	Agreed.	Arrears of income should be collected as soon as possible
(c) 03 Shop Rooms of 02 Shopping Complexes belonging to the Sabha were Leased without agreement.	Agreed.	Leasing Contracts should be initiated.

(d)	The Shop Lease agreements relating to 19 Shop Rooms belonging to the Sabha were not updated as at the year under review and an amount of Rs. 455,133 was not collected from 05 Shop Rooms belonging to 03 Shopping Complexes of the Sabha even at the end of the year under review.	Agreed.	Action should be taken according to the Circular.
(e)	While the initial Arrears of License Fees amounted to Rs. 196,909, an amount of Rs. 2,767,250 was to be receivable after the billing of the year amounting to Rs. 2,570,341.	Agreed.	Arrears of income should be collected as soon as possible.
(f)	Miscellaneous income amounted to Rs. 4,494,146 as at the beginning of the year while the receivable amount during the year amounted to Rs. 140,358,224 including the amount of Rs. 135,864,078 in the year. Arrears of Rs. 4,152,703 existed as the total collected income within the year amounted to Rs. 136,205,621.	Agreed.	Arrears of income should be collected as soon as possible.
(d)	Court Fines and Stamp fees to be collected by the Chief Secretary of the Provincial Council as at 31 December of the year under review amounted to Rs. 4,390,418 and Rs. 206,577,545.	Agreed.	Arrears of income should be collected as soon as possible.
(e)	Although 1% should be collected from receivables of Hotels, Inn and Restaurants, registered with the Tourist Board as according to the Paragraph 149 of Pradeshiya Sabha Act No. 15 of 1987, yet action had not been taken to collect such fees from 75 Hotels in the area of authority of the Weligama Pradeshiya Sabha even as at the end of the year under review.	Agreed.	Action should be taken according to the Act.
(f)	An amount of Rs. 611,861 to be collected from 61 advertising boards displayed in the area of authority of the Weligama Pradeshiya Sabha was not collected even as at the end of the year under review.	Agreed.	Arrears of Income should be collected as soon as possible.

### 2.3 Surcharges

#### Audit Observation

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05 Surcharges amounting to Rs. 6,109,042 had been enforced against the responsible parties by me in the preceding year as according to the Guidelines of the Pradeshiya Sabha Act.

#### Comment of the Sabha

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A report had been presented for the Assistant Commissioner of the Provincial Council.

#### Recommendation

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Action should be taken according to the direction of the Act.

### 3. Operational Review

#### 3.1 Management Inefficiencies

<b>Audit Observation</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----
Action had not been taken to inventoried the details as according to the Regulation 194 of the Pradeshiya Sabha (financial and Administration) of 1988 of 12 cows received from time to time in the year under review to the Cowshed built in the Compost Unit belonging to the Weligama Pradeshiya Sabha even as at the end of the year under review.	Agreed.	Action should be taken according to the Regulations.

#### 3.2 Operating Inefficiencies

<b>Audit Observation</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----
(a) The expenditure of Rs. 11,686,000 incurred had not been reimbursed from the Ceylon Electricity Board at the end of the year under review for the non-installation of Street Lamps as according to the No. PR/01/01 Circular of the Secretary of the Power and Electricity Ministry dated 17 August 2010.	Agreed.	Action should be taken according to the Guidelines of the Circulars.
(b) The sabha had not taken necessary action regarding the Partitioning and Sale of a 03 Rood and 24 Perch Land in the Bandaramulla Area along the Left Side of the Galle – Mathara Main Road as against the Regulations of Orders 4(i) and 13(2) of Part II of the Gazette Notice containing the Planning and Development Orders/Regulations of the Urban Development Authority No. 2235/54 dated 08 July 2021 and 23 (5) of the No. 41 Urban Development Authority 1978.	Agreed.	Action should be taken according to the Act.
(c) Action had not been taken by the sabha regarding 12 constructions for which information has not been submitted confirming that a development permit has not been obtained, the construction had not been formalized by charging a fee of Rs. 5,252,038 after conducting investigations according to Sub register 02 of the Gazette Notice containing the Planning and Development Orders/Regulations of the Urban Development Authority No. 2235/54 dated 08 July 2021.	Agreed.	Action should be taken according to the Gazette Notification.



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| (d) | A fourth floor and two additional buildings were constructed contrary the plan approved by Building Development Permit No. BA/2014/199. The sabha had not taken action to formalize or remove the relevant construction after collecting a fine amounting to Rs. 516,060 as according to the Gazette Notification containing the Planning and Development Orders/Regulations of the Urban Development Authority No. 2235/54 dated 08 July 2021. | Agreed. | Action should be taken according to the Gazette Notification. |
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### 3.3 Transactions of Extraneous Nature.

<b>Audit Observation</b>	<b>Comme of the Sabha</b>	<b>Recommendation</b>
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(a) An expenditure amounting to Rs. 3,742,404 had been incurred from the sabha fund for installing a Fuel Bowser in the sabha Premises in the year under review and the purchase of the Bowser Tank, and the relevant equipment, installation and the preparation of a protective roof was done against the provision of Procurement Guide line 2006 and the Regulations of Pradeshiya Sabha (Financial and Administration) 1988. Also, Oil was leaking from 02 places of the installed Tank filled with Diesel.	Agreed.	Action Should be taken according to the Regulations and the Provisions of the Code of Procurement Guidelines 2006.
(b) An amount of Rs. 2,195,520 was incurred for the purchase of seeds and plants under the Agro Navodhaya Program against the Rule 211 and 207 of the Pradeshiya Sabha (Financial and Administration) 1988 and Financial Regulation 237 and action had not been taken to conduct follow up investigations after the distribution of the plants.	Agreed.	Action should be taken according to the Rules and Financial Regulations.
(c) 02 Building Plans unapproved by the Planning committee of the Weligama Pradeshiya Sabha had been approved by the Chairman using his official seal, and as at the date of the Field Observation a Two Floor Housing of 1205.3 Square feet and a Commercial Building was constructed.	Agreed.	Action should be taken according to the recommendations of the Planning Committee.

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| (d) | When buying an area of 100 perch from the Land of Plan No. 35/2215 situated near the Kamburugamuwa Garbage Project in the year under review, the then Chairman had sold the above Land belonging to him for an amount of Rs. 1,000,000 to a third party and the Sabha had then in turn bought back the land after 02 Months for an amount of Rs. 9,400,000. | Agreed. | A formal procedure should be followed. |
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### 3.4 Procurement Management

<b>Audit Observation</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----
(a) It was revealed in Sample Audit Observation that 12 Procurements amounting to Rs. 7,227,904 that were not included in the Procurement Plan were completed by the Sabha as against the Guidelines of Paragraph 04 of the 2006 Procurement Guidelines.	Agreed.	Action should be taken according to the arrangements of the Procurement Guidelines.
(b) 18 Purchases amounting to Rs. 5,075,834 were done without referral to a technical evaluation committee as according to guidelines 2.8.5 (a) of the Procurement Guidelines Code 2006.	Agreed.	Action should be taken according to the provision of the Procurement Guidelines.
(c) Although an expenditure of Rs.3,752,500 had been incurred by the Council Fund in the year under review for the installation of 10 kilowatt (10 kw) solar panels at the head office of the Weligama Pradeshiya Sabha, action had not been taken as per the Rule 177 and 178 of the Pradeshiya Sabha (Financial and Administration)1988 and the Procurement Guidelines 2006 when preparing the project report relevant to regarding this.	Agreed.	Action should be taken according to the Rules and the provision of the Procurement Guideline.
(d) Although Stock and Substance Supply should be done open competition as much as possible as according to the Rules of Pradeshiya Sabha (Financial and Administration) 1988, yet prices were not called for the purchase of Substances and Equipment amounting to Rs. 1,566,477 for 24 instances of various Construction in the Compost Unit.	Agreed.	Action should be taken according to the Rules.

### 3.5 Deficiencies in Contracts Administration

<b>Audit Observation</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----
(a) An advance of Rs. 5,237,548 had been paid to a Private party and an amount of Rs. 793,000 had been paid to and two approved societies in 10 instances for 10 construction works in the preceding year and the year under review and advance bonds obtained during advance payments to private contractors were not submitted for audit.	Agreed.	Contracts should be executed formally.
(b) An additional amount of Rs. 274,243 had been paid for paving 20.5 meters using concrete blocks for the road development works leading to from the Kamburugamuwa landfill.	There were errors in showing the amounts due to the transfer of the officer in charge of the program, and according to his statement, the amounts were correct.	Payments should be made for finished works.

### 3.6 Human Resources Management

<b>Audit Observation</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----
(a) Action has not been taken by the Sabhal to collect Loan Balances of Rs. 1,282,344 from 19 Officers who have Transferred, Left service, Retired or Deceased as at the end of the year under review.	Agreed.	Action should be taken to settle the loan balances.
(b) The Weligama Pradeshiya Sabha had recruited 07 employees on a casual basis for 05 positions that are redundant and not in the approved cadre while the recruitment of employees was temporarily suspended by the National Budget Circular No. 03/2022 and dated April 26, 2022,	Agreed.	Action should be taken according to the Circular.