

Weeraketiya Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Adverse Opinion

The audit of the financial statements of the Weeraketiya Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the 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 172(1) of the Pradeshiya Sabha Act No. 15 of 1987. My comments and observations which I consider should be report to parliament appear in this report.

In my Adverse Opinion, because of the significance 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 Weeraketiya Pradeshiya Sabha as at 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Practices.

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 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 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 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.

- (a) 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.
- (b) 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)	For the year of under review, to be billed stamp duty income and court fine income Rs.33,162,825 and Rs.1,434,657 respectively and also the court fine income receivable amount were under-accounted by Rs.1,138,588.	Income should be correctly accounted for in the future.	Action should be taken to accurately identify and account for income.
(b)	During the previous years, the key money Rs.7,603,683 charged from the leasing of shop rooms was credited to the rental income without being credited to the accumulated fund.	That has been corrected in the year 2024	Action should be taken to accurately identify and account for income.
(c)	A cab was valued and accounted for in the year of under review in excess of the purchase cost, contrary to the policy of accounting to the non-current assets by cost. Therefore as result Motor and Carriage account had been excess by of Rs.2,500,000 at the end of the year.	That has been corrected using journal entries.	Assets should be accounted for at cost.
(d)	There were no any credit provisions made for the amount of Rs.231,747 that has to be paid for valuation Department.	That has been corrected in the year 2024	Accounts payable must be accurately identified and accounted.
(e)	During the accounting of Rs.200,000 to key money receivable for previous years, the rental income account was debited instead of the key money account.	That has been corrected in the year 2024	Action should be taken to accurately identify and account for income.
(f)	Interest received for the fixed deposit for the previous year of Rs.116,863 was accounted as interest income of the year under review.	That has been corrected in the year 2024	Action should be taken to accurately identify and account for income.

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| (g) | The 56 items of consumables with a total value of Rs.145,920 were accounted for under machinery and equipment and under timber and fixtures. | That has been corrected in the year 2024 | Action should be taken to accurately identify and account for Inventory. |
| (h) | An amount Rs.81,370 less reimbursed for salaries paid to permanent staff was not accounted for as a receivable balance. | That has been corrected in the year 2024 | Action should be taken to accurately identify and account for receivable balance. |
| (i) | In the year of under review, the 1000 liter water tanks with a total value of Rs.85,218 received as donations from the Local Government Department were not accounted for under the consumables stock. | That has been corrected in the year 2024 | Action should be taken to accurately identify and account for donations. |

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Council	Recommendation
There was a difference of Rs.1,211,153 between the balances related to 02 accounting subjects shown in the financial statements and the balances shown in the related documents/sub-documents.	Working to identify the difference.	The account should be corrected by comparing the differences in the respective balances.

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) Section 20 of the Taxation and Assessment Ordinance No. 30 of 1946	Due to the charged of assessment tax in the year under review based on the assessment of the years 2002 and 2014, the period during which the assessment was not implemented on time was 16 years and 04 years respectively.	That the Valuation Department has not given an opportunity to conduct a protest investigation for the implementation of the Weerakatiya Valuation Report received in the year 2020, and that the new assessment pertaining to	Action should be done according to the provisions of Act.

walasmulla assessment area will be implemented after receipt.

- (b) Section (b)6 of Local Government Commissioner's (South) Circular No. 4/04/01/2021 dated 01 January 2021
- In the year of under review, irrespective of the arrears of assessed tax value mentioned in the warrant, Rs.181,933 was paid up to the Revenue Inspector, Property Prohibition Officer and Council Secretary in November 2023 as 10 percent and 03 percent of the amount of commission collected in relation to the quarterly arrears list documents of the year 2023
- When paying the commission, the payment was made by confirming that the dates on which the relevant arrears were charged were holidays outside of working hours
- Proceed as per reference circular.

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.41,185,943 as compared with revenue over recurrent expenditure amounted to Rs.9,592,388 in the preceding year.

2.2 Revenue Administration

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

Source of Revenue	2023				2022			
	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	3,835,000	3,744,817	4,907,714	4,356,197	3,284,000	3,857,349	4,348,772	5,519,094
Rent	31,582,600	62,201,239	72,307,611	8,632,978	19,749,000	27,392,546	25,770,069	18,739,350
License Fees	2,155,000	3,320,755	3,494,147	390,083	1,200,000	2,667,535	2,527,305	563,475
Other revenue	14,523,000	15,985,664	15,971,775	13,889	4,965,500	10,308,815	10,308,815	-
Total	52,095,600	85,252,475	96,681,247	13,393,147	36,009,350	44,226,245	42,954,961	24,821,919

2.2.2 Performance in Revenue Collection

Audit Observation	Comment of the Council	Recommendation
(a) To recovered the assessment tax receivable from 2316 assesse units amounting to Rs.4,095,480 as at 31 December of the year under review, had not been proceeded according to the Section 158 (1) of the Pradeshiya Sabha Act.	That Rs.368,627 have been recovered and that the remaining arrears will be collected.	Arrears should be recovered promptly.
(b) Rs.193,200 in taxes due from 85 business units and the fair tax of Rs.6,933,130 had not been collected.	That Rs.21,600 has been charged from business tax deficit and a case has been filed for Rs.6,000 and Rs.259,750 of fair tax has been charged and a case has been filed for Rs.4,812,239.	Arrears should be recovered promptly.
(c) To recovered the rent receivable from 19 shops owned by the council amounting to Rs. 130,319 , had not been proceeded according to the Section 159 (1) of the Pradeshiya Sabha Act.	Rs.102,519 were recovered and that the governor approved to cut off Rs. 23,800	Arrears should be recovered promptly.
(d) There was no proper arrangement made to collect from machinery rental of Rs. 1,569,529 and also fees of Rs. 320,000 from 15 billboard units.	That Rs.1,156,000 was recovered from machinery rent and the balance was forwarded to the governor to be cut off and that Rs.210,000 was charged for billboard fees and the rest of the deficit is being recovered as per the court judgement.	Arrears should be recovered promptly.
(e) The court fine of Rs. 1,297,060 due from the Chief Secretary of the Provincial Council had not been collected and the outstanding balance above 03 years was Rs. 296,069.	Rs.1,000,991 was recovered, and that the rest of the money will be recovered.	Arrears should be recovered promptly

3. Operational Review

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 3 of the Pradeshiya Sabha Act are shown below.

3.1 Management Inefficiencies

Audit Observation	Comment of the Council	Recommendation
(a) In relation to 05 building plans that had been approved for construction work and according to the amendments made by the Extraordinary Gazette No. 2235/54 dated July 08, 2021 to the Urban Development Authority Act No. 41 of 1978 of the National Council for constructions exceeding the approved amount, that cover approval fee of Rs.756,618 due had not been charged.	The fees indicated by the audit will be charged.	The provisions of the Act and the revised Gazette should be followed.
(b) It was observed that a business entity constructed the building and conducted business activities without paying a fee of Rs.42,506 and obtaining the compliance certificate.	That after the approval of the revised plan, the compliance certificate will be issued and the fees will be collected.	Action should be taken for issuing the compliance certificate collecting fees
(c) According to the court decision dated 28 th November, 2019 related to the case against the lessee for non-payment of Rs.820,558 owed by the lessee who leased the Weerakatiya Public Market for the year 2007, even though 04 years have passed since the decision was received , the arrears lease amount along with legal fees had not been recovered from the lessee.	That the bill related to the arrears of fair tax will be properly prepared and submitted to the court to recover the arrears of tax and legal fees.	Arrears should be recovered promptly

3.2 Operational Inefficiencies

Audit Observation	Comment of the Council	Recommendation
In the year under review, 16 industries that had been issued trade licenses by the council did not obtain the environmental protection license, so the environmental license fees of Rs.79,200 receivable to the council had not been charged.	Environmental license have been issued for 06 industries, and the remaining industries have been informed in writing to obtain environmental license.	Businesses should be encouraged to obtain environmental license.

3.3 Assets Management

Audit Observation	Comment of the Council	Recommendation
The legal rights of 03 vehicles and machinery, 17 land and buildings and 12 cemeteries were not taken over by the council.	That vehicles, land, buildings and cemeteries will be taken over as soon as the survey work is completed.	Urgent action should be taken to take legal ownership of the assets.

3.4 Delays in Project Activities or Capital work

Audit Observation	Comment of the Council	Recommendation
The 82 development proposals with a total value of Rs.7,018,718, which had been allocated in the annual budget to be implemented in the year 2023, were not implemented during the year.	That 04 industries were implemented according to priority.	The development proposals for which allocations have been made in the budget should be implemented.

3.5 Procurement Management

Audit Observation	Comment of the Council	Recommendation
(a) According to Section 2.8.4 of the 2006 Government Procurement Guidelines, a technical evaluation committee of at least three members should be appointed in a procurement, but a technical evaluation committee was not appointed and a report was not obtained in relation to the installation of the security camera system at the cost of Rs.457,065 for Helabojunhala in Weerakatiya.	That procurement guideline is followed.	Procurement guidelines should be followed.
(b) As per Section 5.6.1 (a) of the Government Procurement Guidelines 2006, the specifications for goods or works to be procured shall not be narrower than necessary to achieve the procurement objectives, but in respect of the purchase with an aggregate value of Rs.495,730 , it had not been done that way.	That procurement guideline is followed.	Procurement guidelines should be followed.
(c) According to the 7.11 of the Government Procurement Guidelines Code 2006 and paragraph 09 of the guide related to the installation and maintenance of road lighting in local government bodies issued by the Electrical Superintendent of the Galle Provincial Engineering Services Office, although the recommendations of a technical evaluation committee should be obtained while purchasing street light sets, 30 street light sets worth Rs.780,000 were purchased without doing so.	That the street light sets were purchased as per the recommendations given by the tender committee consisting of an officer from the Technical Service.	Reference should be made in accordance with procurement guidelines and guidelines related to installation and maintenance of street lights.

3.6 Defects in Contract Administration

Audit Observation	Comment of the Council	Recommendation
(a) In accordance with the provisions of the Government Procurement Guidelines Code 2006 and as per the Regional Council (Finance and Administration) Rules 1988, payment of Rs.4,907,530 was made based on a council decision without calling for quotations for the use of machines and tractors for construction work. And the technical officer had not prepared the work done reports to identify and pay for the development works to be done on rural roads and playgrounds.	As per the decision of the Council, the payment was made for the tractors as per the District Price Committee prices and the payment was made based on the values of the finished work reports.	Action should be taken as per the provisions of Government Procurement Guidelines and shall act in accordance with the rules of Pradeshiya Sabha Act, Payments should not be made without preparation of work done reports.
(b) Due to the payment based on the decision of the council without paying according to the prices mentioned in the road price list issued in September 2023, the amount of Rs.412,836 more was paid from the council fund for the motor grader and the backhoe loader which were acquired on rental basis.	Under Council Decision No. 7.18 of September 2022, J.C.B. And that payments were made for motor graders.	Action should be taken to recover Overpayments.
(c) In relation to the 07 road development projects that had been developed under the rural road development programme, A total of Rs.460,396 was overpaid due to the fact that although the contractors had purchased the Chip gal at the prices of Rs.35 and Rs.37, but it had been paid Rs.43.13 and Rs.47.40 respectively without basing on those prices.	That payments were made according to the prices mentioned in the estimates prepared by the Road Development Authority.	Action should be taken to recover Overpayments.
(d) In relation to 02 road development projects implemented under the Rural Road Development Programme, the contractors had overpaid Rs.62,896 due to overpayment of concrete blocks purchased for road construction.	That a payment was made based on the calculation of the square meters of stone paving.	Action should be taken to recover Overpayments.

3.7 Human Resources Management

Audit Observation	Comment of the Council	Recommendation
(a) In the year under review, 21 redundancies related to 08 posts were not completed even in the year under review, out of which the	That information calls were made as per the letter of the Commissioner of Local Government to include the	Action should be made to regularize staff redundancies.

approved and actual staff of the council were 83 and 91 respectively. redundant employees in the approved work force.

- (b) The council had not taken steps to recover Rs.6,612 and Rs.75,977 respectively from the salary for the vacation days taken by two employees of the council in the year 2022 and ten employees in the year 2023 beyond the 45 days of annual leave. That the arrears related to the year 2022 have been recovered, That Rs.42,109 have been recovered from the deficit related to the year 2023, and that the rest of the money will be recovered. Overpayments as wages should be recovered promptly.
- (c) According to paragraph 3 of the Treasury Deputy Secretary No. 05/2019 dated 27 June 2019, Debt balances of Rs.95,402 due from six employees who leaved in the council and suspended had not been recovered. Out of the deficit Rs. 5,000 was recovered and the rest of the employee loans are being recovered. Work should be done to recover the employee loan.