

Welimada Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Welimada Pradeshiya Sabha for the year ended 31 December 2023 comprising the financial position as at 31 December 2023 and statement of financial operations, cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other clarifications 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 subsection 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 reported 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 Welimada Pradeshiya Sabha as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.2 Basis for qualified Opinion

My opinion is qualified based on 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 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 Principles and for such internal control as management determines 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 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 of the Sabha.

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the 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 judgement and maintain professional scepticism throughout the audit. I also

- Appropriate audit procedure were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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
- An understanding of internal control relevant to the audit was obtained 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 Pradeshiya Sabha's 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 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 discussions issued by the governing body of the company
- Whether the pradeshiya Sabha 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 the other legal requirements

The special provisions had been inserted in the National Audit Act No.19 of 2018 in relation to the under-mentioned requirements.

- (a) The financial statements of the pradeshiya sabha are consistent with the preceding year as per the requirement of the section 6(1)(d)(iii) of the National Audit act No. 19 of 2018 .
- (b) The recommendations made by me in the preceding year as per the requirement indicated in the section 6(1)(d)(iv) of the National Audit act No. 19 of 2018 had been included in the financial statements forwarded.

1.6 Audit Observations in relation to preparation of the financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the sabha	Recommendation
(a) Aggregate value of Rs. 4,788,395 of 02 industries constructed in the preceding year and year under review had not been accounted.	It will be rectified in 2024.	The assets should be accurately accounted.
(b) Keppetipola weekly fair had been constructed having encashed a fixed deposit of Rs. ₹.20,000,000 and the balance of Rs. 7,936,572 had been accounted as the capital income.	-Do-	-Do-
(c) In the year under review, stamp duty income of Rs. 2,504,738 had been understated in the statement of financial operations.	-Do-	-Do-

1.6.2 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the sabha	Recommendation
It couldn't be satisfactorily verified in the audit owing to non-submission of the fixed assets registers and schedules for 03 asset subjects worth of aggregate Rs. 313,646,477.	The action will be taken to insert into the schedules and insert the new valuations into the financial statements.	The accounting balances in the financial statements should be verified by the reports such as documents and schedules.

1.7 Non-Compliances

Non-compliances to rules, laws, regulations and management decisions

It had not been complied with rules, laws, regulations and management decisions in the following incidents.

	Reference to laws, rules, regulations	Non-compliances	Comments of the sabha	Recommendation
(a)	Pradeshia Sabha Act No.15 of 1987 Section 19(1)	26 casual health labourers had been recruited without approval from January 2007 to October 2020.	In accordance with Financial Regulation 71 formats, the reports had been referred to Department of Management Services for justification.	After approving the staff, it should be recruited.
(b)	Pradeshia Sabha (Financial and Administrative)Rules of 1988 Rules 103, 104	The inspection in relation to a shortage of 35 equipment units identified by the board of survey report in the preceding year had not been carried out and recovered the losses.	The action is taken as per F.R.104 in relation to shortage of 02 printers and 27 plastic umbrellas.	It should be recovered from the responsible persons having carried out the inspections.
(c)	Establishments Code of Democratic Socialist Republic of Sri Lanka Sections 1.6 and 4 of Chapter XXIV	No action had been taken to recover the loan balance of Rs. 217,178 more than 18 years old to be recovered from 10 employees who had retired, vacated the post and died from the sureties.	The action had been taken to recover the loan balances.	Outstanding employee loans should be recovered.
(d)	Public Administration Circular No.26/92 dated 19 August 1992	The action had not been taken to paint the state emblem and name of the institution on 20 vehicles.	The quotations had been called for painting.	The action should be as per the instructions of the circular taken.

(e) Public Administration Circular No.30/2016 dated 29 December 2016	The vehicle emission test had not been performed for 15 vehicles belonging to sabha since log time.	The action will be taken to submit a report having done the vehicle emission test to the vehicles belonging to sabha.	The action should be taken as per the instructions of circular.
(f) Assets Management Circular No.02/2017 dated 21 December 2017	No action had been taken to transfer the ownership of 03 vehicles which had been utilized since long-term.	The Department of Motor Traffic and Commissioner of Local Government had been made aware to transfer those vehicles.	The action should be taken as per the instructions of circular.
(g) Government Procurement Guideline 2006 Section 5.4.4	Even though the maximum advance of Rs.200, 000 can be granted to the approved societies without surety, an amount from Rs. 223,143 to 982,910 had been given as advances for 10 industries.	In due course, the action will be taken accordingly.	The action should be taken as per the Government Procurement Guidelines.

2. Financial Review

2.1 Financial Results

As per the financial statements submitted, the income exceeded the recurrent expenditure of the sabha was Rs. 87,157,490 for the year ended 31 December of year under review and correspondingly, the income exceeded the recurrent expenditure was Rs. 95,113,331 in the preceding year.

2.2 Income Administration

2.2.1 Estimated Income ,Billed Income, Collected Income and Outstanding Income

As per the information submitted by the sabha Secretary, the information on estimated income, billed income, collected income and outstanding income is as follows in relation to the year under review and the preceding year.

Income Source	2023				2022			
	Estimated Income	Billed Income	Collected Income	Total Outstanding as at 31 December	Estimated Income	Billed Income	Collected Income	Total Outstanding as at 31 December
	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.
(i) Assessment Tax and other taxes	6,170,900	6,265,862	4,387,557	1,878,305	5,657,070	6,037,055	1,579,631	44,574,244
(ii) Rents	29,654,300	28,611,220	27,694,767	916,453	43,031,435	40,776,566	38,538,196	2,238,370
(iii) License Fees	2,840,000	5,348,053	5,239,452	108,601	3,382,659	3,748,759	3,748,759	-
(iv) Other income	28,655,400	49,402,507	30,577,192	18,825,315	62,006,073	92,611,271	39,315,570	53,295,701
Total	<u>67,320,600</u>	<u>89,627,642</u>	<u>67,898,968</u>	<u>21,728,674</u>	<u>114,077,237</u>	<u>143,173,651</u>	<u>83,182,156</u>	<u>100,108,315</u>

2.2.2 Income collection Performance

The observations in relation to income collection performance are as follows.

	Audit Observation	Comment of the sabha	Recommendation
(a)	The outstanding Assessment Tax of Rs. 4,363,215 had not been charged as at 31 December of year under review.	The action will be taken to recover the outstanding income in the future.	Outstanding income should be recovered.
(b)	The outstanding shop rents of Rs. 1,051,442 had not been charged as at 31 December of year under review.	Such amount will be referred to Hon. Governor for approval to write off.	-Do-
(c)	Outstanding water tariff of Rs. 981,859 had not been charged as at 31 December of year under review.	-Do-	-Do-
(d)	The court fines of Rs.7, 044,416 and Stamp Duty of Rs.45, 876,700 to be received on 31 December in the year under review had not been brought.	Outstanding amount is	-Do-

2.3 Surcharge

Audit Observation	Comment of the sabha	Recommendation
In accordance with Section 172(3) of Pradeshiya Sabha ordinance, 02 surcharges worth of Rs. 764,114 imposed by the Auditor General in 2019 had not been charged as at 31 December of year under review.	The action is being taken to charge the surcharge amount at once after filing a case.	The surcharge should be immediately charged.

3. Operating Review

3.1 Discharging the functions entrusted by the Act

The facts observed on regularization and control of public health, common utility services and common thoroughfares under section 3 of Pradeshiya Sabha Act and the functions to be executed by sabha such as wellbeing, convenience and welfare of people.

Audit Observation	Comment of Sabha	Recommendation
(a) The environment protection license had not been obtained for 03 slaughter houses tendered and leased in the year under review and the temporary trade licenses had been given as renewed from 14 days to 14 days.	The instructions had been given to obtain environment protection license.	The environment protection licenses should be obtained.
(b) The environment protection license had not been obtained for Divithotawela crematorium functioned since 2008.	It had been applied to obtain an environment protection license.	-Do-
(c) The sewerage disposed from the fish stalls and the business places belonging to pradeshiya sabha located close to the public bus-stand in Welimada town had been released to Uma stream.	It had been planned to build a septic tank and prepare absorption flower for disposal the waste water.	The immediate action should be taken in relation to disposal of waste to the environment.
(d) As per section 79 of Pradeshiya Sabha Act No.15 of 1987, the water should be disposed underground drains for successful drainage in the jurisdiction of pradeshiya sabha. Owing to no taking in that manner, since the rain water collected from main road in the rainy season drains through the shopping complex of main bus-stand, no action had been taken to avoid such situation by sabha.	The Provincial Roads Department had been made aware to formalize the drainage system.	The action should be promptly taken to maintain the drainage system for disposing waste water.

3.2 Management Inefficiencies

Audit Observation	Comments of sabha	Recommendation
<p>In accordance with section 149 of Pradeshiya Sabha Act No.15 of 1987 and the gazette notification No.2251 dated 21 October 2021 of Democratic Socialist Republic of Sri Lanka, even though 01 percent tax from the income of the preceding year of hotels, restaurants and rest houses registered n Tourist Development Board of Sri Lanka should be charged, the fees had not been charged by sabha having carried out a survey on this matter.</p>	<p>The action will be taken to charge the tax of 01 percent having performed a survey related to income.</p>	<p>The income should be charged as per the Pradeshiya Sabha Act.</p>

3.3 Operating Inefficiencies

Audit Observation	Comment of the sabha	Recommendation
<p>(a) In the year under review, the paper advertisements had been published at 02 occasions for rent 26 shops and as per the first paper advertisement published at a cost of Rs.142, 670, the bids had been submitted for 09 shops. Due to taking the minimum bid value of shops a higher value, the bids had not submitted for 17 shops. By incurring Rs.130, 888 without revising the minimum bid value, a paper advertisement had been published again and no bid had been submitted. Due to that, the rent income of 26 shops had lost in the year under review.</p>	<p>An expense of Rs. 130,888 in relation to publication of paper advertisement for the procurement of 17 properties again not procured is not an useless expense.</p>	<p>The minimum bid value should be determined enabling to submit the bids and the public money should not be utilized for the paper advertisements with no results.</p>
<p>(b) As at 31 December of year under review, the value of 08 empty gas cylinders of 37.5 Kg and 03 grass-cutting machines had not been identified and accounted.</p>	<p>It will be rectified in 2024.</p>	<p>The assets should be accurately accounted.</p>
<p>(c) After valuing 09 buildings belonging to pradeshiya sabha, those had not been included in the financial statements.</p>	<p>The action had been taken to insert into the assets register</p>	<p>The assets should be accurately valued and included in the financial statements.</p>

3.4 Assets Management

Audit Observation	Comment of the sabha	Recommendation
(a) 152 burial grounds and a public playground located within the jurisdiction of pradeshiya sabha had not been valued and accounted.	The action had been taken to temporarily value the burial ground and insert into the assets register.	The all assets belonging to sabha should be identified, valued and accounted.
(b) 23 vehicles and carts worth of Rs. 584,098 included in the statement of financial position as at 31 December in the year under review had not been presented for the physical inspection.	Having examined the facts, the inventories will be rectified in 2024.	The physical existence of the fixed assets should be verified.

3.5 Irregular Transactions

Audit Observation	Comment of the sabha	Recommendation
(a) In accordance with section 129 of Pradeshiya Sabha Act No.15 of 1987, even though the all money received to pradeshiya sabha should be credited to the sabha fund, an amount of Rs.13,725,000 collected in 2020 and 2021 for the construction of stalls for the pavement sellers in Welimada town had been credited to an account of state bank named “construction of pavement stalls for development of Welimada city” having appointed a committee consisting with 04 members.	As per the consent of Welimada Eksath Pavement Sellers Association, a state bank account had been opened in joining with Hon. 03 members and an officer of Pavement Trade Association without joining with the sabha fund.	The action should be taken as per the provisions of Pradeshiya Sabha Act and relevant circulars in relation to construction projects.
(b) The Management Committee had decided on 27 June 2022 to engage a worker who serves in post of permanent health labourer of pradeshiya sabha for collection of parking fees at the parking located in Keppetipola town belonging to pradeshiya sabha and pay a commission of 50 percent of the parking fees charged in addition to the salary. Accordingly, a commission of Rs. 39,550 had been paid to the worker from January to November 2023 and the by-laws had not been prepared to charge the parking fees.	An employee had been engaged in order to avoid the obstructions occurred to the people owing to non-presentation of a tenderer through the procurement process.	The action should be taken to charge the fees having passed by-laws in relation to this.