

Wellawaya Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Wellawaya Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and 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 sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and 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 give a true and fair view of the financial position of the Wellawaya 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 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 includes 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 Sabha -----	Recommendation -----
(a) 03 deposit balances of Rs.153,730 included in the general deposit register were not included in the statement of financial position.	That the relevant adjustments will be made in the financial statements of the year 2024 and the balances will be corrected.	Financial statements should be prepared accurately.

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| <p>(b) As on December 31 of the year under review, the stock value of 110 documents belonging to 06 categories included in the stock documents whose value cannot be identified was not included in the closing stock.</p> | <p>The printed inventory registry will be checked and the balances will be corrected by making the relevant adjustments in the financial statements of the year 2024.</p> | <p>The value of all assets should be included in the financial statements.</p> |
| <p>(c) The finished work value of 05 industries which were completed in the year under review, amounting to Rs.12,095,414, was not accounted under land and buildings.</p> | <p>The relevant adjustments will be made in the financial statements of the year 2024 and the balances will be corrected.</p> | <p>The value of all assets owned by the Sabha should be included in the financial statements.</p> |
| <p>(d) Assets of Rs.178,900 purchased on 03 occasions during the year under review, were not capitalized.</p> | <p>The relevant adjustments will be made in the financial statements of the year 2024 and the balances will be corrected</p> | <p>The value of all assets owned by the Sabha should be included in the financial statements.</p> |
| <p>(e) Costs incurred for improvements to the Archive and Canteen of the Wellawaya Sabha Office, whose work was completed during the year under review, were not recognized and accounted for.</p> | <p>The relevant adjustments will be made in the financial statements of the year 2024 and the balances will be corrected</p> | <p>Financial statements should be prepared accurately.</p> |
| <p>(f) The value of the TABLET computer received from the Local Government Department during the year under review was not recognized and accounted for.</p> | <p>The relevant adjustments will be made in the financial statements of the year 2024 and the balances will be corrected</p> | <p>The value of all assets owned by the Sabha should be included in the financial statements.</p> |

<p>(g) The value of land and 02 buildings of Rs.63,500 and a Printer of Rs.92,000 included in the fixed assets register was not accounted for.</p>	<p>The relevant adjustments will be made in the financial statements of the year 2024 and the balances will be corrected</p>	<p>The value of all assets owned by the Sabha should be included in the financial statements.</p>
<p>(h) The value of the double cab entered in the fixed assets register was not included in the statement of financial position and also was not physically exist.</p>	<p>As this is an asset that is not physically present in the office, the value cannot be accounted for and it will be written off, in the inventory register.</p>	<p>The ownership and existence of the vehicle should be cleared.</p>
<p>(E) As on December 31 of the year under review, the outstanding stamp duty income was Rs.22,973,156 but it was shown as Rs.22,665,398 which was understated by Rs.307,758 .</p>	<p>The relevant adjustments will be made in the financial statements of the year 2024 and the balances will be corrected</p>	<p>The income of the Sabha should be correctly entered in the financial statements.</p>
<p>(A), Although the stamp duty income in the year under review was Rs.16,035,480, it was under-accounted as Rs.15,865,930 by Rs.169,500.</p>	<p>The relevant corrections will be made in the preparation of financial statements in the year 2024.</p>	<p>Financial statements should be prepared accurately.</p>
<p>(o) Court fine income due for the month of December of the year under review was not estimated and accounted for.</p>	<p>The relevant corrections will be made in the preparation of financial statements in the year 2024.</p>	<p>Financial statements should be prepared accurately.</p>
<p>(O) The value of library books purchased in the year 2023 was under-accounted by Rs.127,871.</p>	<p>The relevant corrections will be made in the preparation of financial statements in the year 2024.</p>	<p>Financial statements should be prepared accurately.</p>

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
----- There was a difference of Rs. 3,224,267 between the balances shown in the financial statements and the balances according to the schedules and documents provided for the 02 account subjects.	----- The instructions were given to the subject officer to find the relevant information and correct the documents.	----- While preparing the financial statements, the balances shown in the schedules should be based upon and prepared.

1.6.3 Documentary Evidences not made available for Audit.

Audit Observation	Comments of the Sabha	Recommendation
----- Due to non-submission of Valuators' reports, fixed assets registry, updated income documents regarding 10 asset subjects with total value of Rs.111,822,746, it was not possible to verify satisfactorily during the audit.	----- The subject officer was instructed to maintain the relevant documents updated.	----- While preparing the financial statements, relevant documents and schedules for confirming asset balances should be based upon and prepared.

1.7 Non- Compliances

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

Non-compliance with Laws, Rules, Regulations and Management Decisions etc. are as follows

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
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(a) Pradeshiya Sabha Act No. 15 of 1987 (i) Section 19 (xii).	In leasing 60 shops, the approval of the minister in charge was not obtained.	The necessary arrangements are being made to obtain the approval of the minister in charge.	In relation to long-term leases, the approval of the minister in charge should be obtained.
(ii) Section 24(1).	191 roads included in the road inventory maintained by the Sabha were not published in the gazette.	The necessary instructions to update the road inventory were given to the subject officer.	Roads included in the road inventory of Sabha should be published in the Gazette.
(b) Extra ordinary Gazette No. 1597/8 dated 17th April 2009.	Out of 275 building applications approved from 2016 - 2020, 214 building applications were not inspected and compliance certificates issued.	The necessary steps are taken to inspect the relevant buildings and issue compliance certificates.	The construction carried out in the Sabha area of authority should be regulated.
(c) Public Administration Circular No. 01/2002 dated 25 February 2002	State emblem and name of the Sabha were not painted on 09 vehicles and machines owned by the Sabha.	In the future, arrangements will be made to paint the state emblem and the name of the Sabha on all the vehicles owned by the Sabha.	It should be complied with Circulars
(d) Circular dated 17th August 2010 of the Secretary to the Ministry of Power and Energy	According to the street lights register, although 2000 street lights were installed, there was no contract with the Ceylon Electricity Board regarding street lighting.	The contract will be entered upon in the future.	It should be complied with Circulars

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 of the current year amounted to Rs. 11,463,209 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 14,240,661 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 of the Sabha relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

		2023				2022			
Source of Revenue		Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
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		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	6,265,905	6,194,521	1,709,005	4,485,516	6,246,032	6,092,873	2,037,152	3,862,439
(ii)	Rent	17,812,000	12,707,108	10,121,259	2,585,849	15,116,000	10,264,672	5,445,948	4,832,094
(iii)	License Fees	19,701,025	2,116,978	2,107,978	9,000	6,361,025	2,201,106	2,156,106	45,000
(iv)	Other revenue	51,323,500	34,227,057	17,889,065	16,337,992	2,987,000	1,755,755	483,272	1,272,483
	Total	95,102,430	55,245,664	31,827,307	23,418,357	30,710,057	20,314,406	10,122,478	10,012,016

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Sabha are given below.

Audit Observation
-----**Comments of the Sabha**
-----**Recommendation**
-----**Rates and Taxes**

(a) Out of the assessment tax revenue of Rs.5,860,614 billed in the year under review, Rs.4,026,022 or 69 percent had not been collected as on 31 December 2023.

As the tax levied offsets against arrears, current collection is at lower level

Billed revenue should be recovered.

(b) Out of the arrears of assessment tax revenue of Rs.18,319,443 at the beginning of the year under review, Rs.16,573,262 or 90 percent had not been recovered.

As the post of Revenue Inspector is vacant, the revenue collection remained at lower level.

Arrears in revenue should be recovered promptly.

(c) Out of the property rent income of Rs.5,057,329 billed in the year under review in relation to the lease of 8 tender properties, Rs.502,916 had not been collected at the end of the year under review.

The arrears will be recovered.

Billed revenue should be recovered.

(d) The rental income of Rs.6,933,148 due for the lease of 13 properties owned by the Sabha, prior to the year 2018 and from 2019 to the year 2023 was not collected.

Action will be taken to recover arrears of revenue.

Revenue in arrears should be recovered promptly.

Rent

(a) Out of the shop rental income of Rs.4,916,548 billed in the year under review, Rs.1,934,709 or 40 percent had not been recovered at the end of the year under review.

Due to offset of current collections against arrears of rent, current collection remained at lower level.

Billed revenue should be recovered.

(b) Out of the outstanding shop rent income of Rs.8,342,408 at the beginning of the year under review, Rs.6,223,070 or 74 percent was not recovered during the year.

The arrears of revenue will be recovered promptly.

Revenue in arrears should be recovered promptly.

Other Revenue

(a) An amount of Rs.54,000 due for the period 2019-2023 was not recovered from 08 telephone transmission towers belonging to 04 institutions established in the Sabha area.

The arrears of license fees will be recovered.

Revenue in arrears should be recovered promptly.

(b) Arrears machine rental income of Rs.1,674,870 due from 22 parties for the period 2013-2021 from the rental of vehicles and machinery owned by the Sabha, had not been recovered by December 31 of the year under review.

The arrears of rent will be recovered.

Revenue in arrears should be recovered promptly.

(c) Rs.326,550 due for the period 2017-2022 from 14 advertising billboards installed in the Sabha area of authority, had not been collected by December 31 of the year under review.

Action will be taken to recover arrears of income.

Revenue in arrears should be recovered promptly.

(d) court fine of Rs.10,232 and stamp duty of Rs.14,468,254 due on 31st December of the year under review had not been collected.

Action will be taken to recover arrears of income.

Revenue in arrears should be recovered promptly.

3. Operational Review

3.1 Fulfillment of functions assigned by the Act

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 Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

Environment Protection Permits

Audit Observation

The sabha did not conduct a survey related to the year 2023 to identify the industries that should obtain environmental protection permits, There was no attention is paid on re-issuing of environmental protection licenses for 50 industries whose validity period of the issued environmental protection permits had expired.

Comments of the Management

The instructions were given to the subject officer to act on this matter.

Recommendation

Businesses and industries existing in the sabha area should be regulated.

3.2 Management Inefficiencies

Audit Observation

(a) According to section 2.5.2 of the guidelines for local authorities on issuance of environmental protection permits issued by the Central Environment Authority, the sabha did not maintain a separate account for crediting the money charged as environmental protection permit fee and field inspection fee.

Comments of the Management

A separate account is required to be opened.

Recommendation

The guidelines should be followed

(b) 137 library books worth Rs. 31,349, which were given to the readers in 03 libraries belonging to the Sabha, had not been taken return by December 31 of the reviewed year. The necessary instructions were given to taken the relevant books back. Books given to readers should be recieved.

3.3 Operational Inefficiencies

Audit Observation

Comments of the Management

Recommendation

(a) Pursuant to Section 23(1) of Part II of the Urban Development Authority Act No. 41 of 1978, the plot of land need to be given to the Sabha from the 45 acres of land subdivided in Thellulla area had not been reserved and handed over to the Sabha.

The subject officer has been instructed to take necessary action in this regard.

The portion of land need to be taken over to the Sabha should be formally reserved and handed over to the Sabha.

(b) Pursuant to Sections 154(1) and (2) of the Pradeshiya Sabha Act No. 15 of 1987, the Pradeshiya Sabha shall collect a tax equal to 1 percent of the proceeds of the sale of a land auctioned within the Pradeshiya Sabha area of authority, but the land auctioned within the Wellawaya Pradeshiya Sabha area In relation to 694 plots of land, no measures were taken to collect the tax money or to take necessary legal measures in this regard.

The subject officer has been instructed to take necessary action in this regard.

According to the Pradeshiya Sabha act, the relevant tax money should be collected.

(c) Shop rents ranging from Rs.200 to Rs.1,000 per month were being collected from 37 stalls owned by the Sabha without assessment of shop rents.	The necessary arrangements are being made for assessment of shop rents.	Shop rent should be assessed and charged on time.
(d) The shop rents of 32 shops in the bus station and 42 shops in the super mall belonging to the Pradeshiya Sabha were assessed by the assessment department in 2011 and 2015, but the assessments were not carried out time to time.	The necessary arrangements are being made for assessment of shop rents.	Shop rent should be assessed and collected on time.
(e) In leasing 15 shops belonging to the Pradeshiya Sabha, there was no agreement entered upon with the lessees, and no income was collected in relation to the 11 shop rooms even though annual billing was done.	The shop lessees have been informed in writing to enter into an agreement regarding the lease of the shop premises.	When leasing property owned by the Sabha, agreements should be entered into with the lessees, and the billed revenue should be collected.

3.4 Assets Management

Audit Observation

Comments of the Management

Recommendation

 (a) The legal title to the land on which Yalabowa Green Park is located, which is controlled by the Pradeshiya Sabha, has not been vested to the Pradeshiya Sabha.

 The necessary requests to take over the legal title to the land have been made by now.

 Legal ownership of lands used by the Sabha should be taken over.

(b) The back loader had an accident on 17th August 2021 and had not been repaired by the end of the year under review.

The repairs will be carried on promptly.

Repairs of vehicles and machines should be done at the relevant time periods.

(c) 02 vehicles belonging to the Pradeshiya Sabha have been idle for a period of 12 years, and the said vehicles had not been repaired or disposed of.

The necessary activities are carried out for the disposal of vehicles.

The vehicles should be repaired or disposed of in time.

(d) The legal ownership of 02 vehicles used by the Pradeshiya Sabha had not been taken over to the Sabha.

The necessary activities to take over the legal rights of the vehicles will be carried out immediately.

The legal ownership of vehicles owned by the Sabha should be taken over to the Sabha.

(e) The value of 04 lands and 77 cemeteries belonging to the local Sabha was assessed and not included under fixed assets.

As the Divisional Secretariat has taken the necessary steps for surveying the lands and cemeteries, the assessment will be done immediately after the survey is received.

The value of the lands owned by the Sabha should be assessed and accounted for.

3.5 Human Resources Management

Audit Observation

Comments of the Management

Recommendation

(a) As on December 31 of the year under review, there were vacancies of 07 employees in relation to 06 positions in the Sabha, and the said vacancies had not been filled.

Requests have been submitted to the Commissioner of Local Government to fill the vacancies.

Action should be taken to fill the vacancies.

(b) Loan balances of Rs.135,597 due to 53 employees who worked in the Sabha had not been recovered by 31 December 2023.

The employee loan will be collected promptly.

Employee loans should be recovered on time.

4. Accountability and Good Governance

4.1 Budgetary control

Audit Observation

Comments of the Management

Recommendation

According to the budget prepared for the year under review, , in comparison of the estimated income and expenses with the actual income and expenses of the year, there were variations from 0.8 percent to 89 percent in 08 income subjects and 29 percent to 95 percent in 07 expenditure subjects.

The steps will be taken to properly prepare the budget in the future.

Annual budget estimates should be prepared more realistically and work should be done towards achieving those targets.

4.2 Environmental issues

Due to the disposal of sewerage by the Pradeshiya Sabha through the gully service in an open pit in the Anapallama compost yard, it was observed that the pit overflows with rains. The sabha had not obtained an environmental protection license from the Central Environment Authority in relation to the disposal of sewerage.

An application has already been made to the Ministry of Local Government to resolve this issue as there is insufficient provision to build a formal sewerage disposal centre.

Sewerage should be disposed of properly.

4.3 Sustainable development goals

Audit Observation

Comments of the Management

Recommendation

Although the Assembly was informed of the United Nations' "Sustainable Development Agenda 2030", indicators for measuring sustainable development goals and targets were not identified.

The necessary activities will be carried out to identify sustainable development goals and targets in the future.

Indicators should be identified to measure sustainable development goals and targets.