

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Wariyapola 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, 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 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 give a true and fair view of the financial position of the Wariyapola 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 express qualified opinion in respect of financial statements based 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 Sri Lanka Public Sector Accounting Standards, 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 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 Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) The expenditure of Rs 14,864,533 incurred in the year under review for getting electricity to the new mall at Wariyapola had not been capitalized.	Actions will be taken to correct by the final financial statements 2024.	It should be accurately accounted for.
(b) The balance of the Sabha's motor vehicle and cart account had been understated by Rs.3,500,000 as at 31 December of the year under review.	-do-	-do-
(c) The value of the backo-loader owned by the Sabha had been understated by Rs.6,120,000 as at the last day of the year under review.	Actions will be taken to correct by the final financial statements 2024	It should be accurately accounted for.
(d) Six industrial deposits valued at Rs.362,000 had been shown as unsettled deposits in the financial statements as at 31 December of the year under review.	-do-	Deposits should be accurately accounted for.
(e) The Padeniya Gimanhala owned by the Sabha had been overstated by Rs.489,617 .	-do-	Verifiable evidences should be presented.

1.7 Non-compliance

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

The Instances of non-compliance with laws, rules, regulations and management decisions are as follows.

	Reference to Laws, Rules, Regulations, Management Decisions etc.	Non-compliance	Comments of the Secretary	Recommendation
(a)	Pradeshiya Sabha Act No.15 of 1987 Section 134	Actions had not been taken to announce the developed village areas served by the Sabha.	Agree with the observations.	Actions should be taken in terms of the Circular.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 570 and 571	Thirty six deposits valued at Rs 1,923,120 had not been credited to the government revenue.	Agree with the observations.	Actions should be taken in terms of Financial Regulations.
(c)	Public Administration Circular No. 02/2018 dated 24 January 2018 Section 3	Although it had been stated that, the skills that the staff should have in order to achieve the desired outcome according to the Annual Action Plan should be clearly identified and there should be a system for that, actions had not been taken accordingly.	-do-	Actions should be taken as per circulars.
(d)	Local Government Circulars			
(i)	Local Government Department Circular No. 2010/02 dated 30 July 2010 Section 1.2	Although a transfer system as per subjects in the performing of duties and a divisional transfer system should be implemented once in 02 years for officers who find it difficult to do so, it had not been so done.	-do-	Actions should be taken as per circulars.

(ii)	Circular No. 03/2015 dated 02/11/2015	The register of street lights had not been maintained in an updated manner.	-do-	-do-
(e)	North Western Province Environmental Charter No. 12 of 1990	Section 10 Ten institutions had lost the revenue from environmental license fees that should have been collected due to failure to obtain licenses for the year 2023 .	Agree with the observations.	Actions should be taken in terms of Laws and Rules.
(f)	Pradeshiya Sabha Financial and Administrative Rules			
(i)	Rule 61	Although all the projects included in the list obtained after conducting an annual survey should be included in the register of project taxes, only the businesses that pay fees had been arranged to be included in the register. Non-taxable projects had not been included in the registers and no legal actions had been taken in this regard.	-do-	-do-
(ii)	Rule 218	Although an annual survey of land and buildings was supposed to be done by a Board appointed , it had not been so done.	-do-	-do-
(g)	Government Procurement Guidelines Guidance 4.2.1 (b)	Anticipated procurement activities had not been listed for a minimum period of three (03) years.	Accept.	Actions should be taken in terms of the Guideline.

2. Financial Review

2.1 Financial Results

As per the financial statements presented, recurrent expenditure exceeding the revenue of the Sabha for the year ended 31 December 2023 was Rs. 13,135,390 and as against revenue that exceeded the recurrent expenditure of the preceding year was Rs. 14,431,413.

2.2 Revenue Administration

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

As per the information presented by the Secretary, the details about the estimated revenue, billed revenue, collected revenue and arrears of revenue presented for the year under review and the previous year are as follows.

Source of Revenue	Year 2023				Year 2022			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December (from Billed Revenue)	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December (from Billed Revenue)
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates and Taxes	10,424	9,128	6,874	2,254	10,330	9,063	6,162	2,901
Rents	31,462	13,345	13,204	140	16,375	9,738	9,737	469
License Fees	2,205	2,348	2,348	-	1,676	2,091	2,090	-
Other Income	134,540	50,656	131,158	(80,502)	143,665	872,147	16,275	973
Total	178,631	75,477	153,584	(78,108)	172,046	893,039	34,264	4,343

2.2.2 Performance of Revenue Collection

Audit Observation	Comments of the Secretary	Recommendation
(a) Out of the total arrears of rates of Rs.4,609,534 as at 31 December 2023, fifty one per cent were in deficit in previous years. Out of the total number of 4698 units of charge to the Sabha, there were 1885 units of arrears of rates.	Accept.	Adequate arrangements should be made to recover arrears of balances and actions should be taken to recover the arrears of balances.
(b) Court fines that should have been received as at 31 December 2023 from the Chief Secretary of the Provincial Council and other authorities in relation to the year under review were	Accept.	Actions should be taken to collect arrears of balances.

Rs.5,507,720 and a stamp duty value of Rs. 28,500,000 related to the year under review and Rs. 19,042,443 related to the year 2022, totalling Rs. 47,542,443 had also remained to be received.

3. Operational Review

3.1 Achieving of Functions Enacted by the Act

Audit Observation	Comments of the Secretary	Recommendation
Although capital expenditure of Rs. 57,610 and recurrent expenditure of Rs. 2 5,015,604 had been incurred for solid waste management during the reviewed year, the income from the sale of garbage was only Rs.534,044 .	Accept.	Actions should be taken to properly manage biodegradable and non-biodegradable waste properly and to develop income generation activities.

3.2 Management Inefficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) The value of balances of 09 accounts receivable as at 31 December of the year under review, was Rs.91,161,023 .	Agree with the observation.	The balance receivable to the Sabha should be collected promptly.
(b) The biogas unit owned by the Sabha is in an inactive state after 2021 and the attention of the Sabha had not been drawn on repairing the unit and using it effectively.	-do-	Resources should be utilized to the maximum.
(c) The garbage collected by the cart is disposed of on private land not owned by the Sabhal. Although it was observed that the owner of the land has agreed to give the land to the Sabha for the establishment of a waste recycling unit on 28/09/2016 in an affidavit, although it was observed that the waste is being disposed of on the respective land, it was not confirmed that during waste disposal, treatment is carried out to prevent them from accumulating in the soil and ground water, or that a sewage recycling unit is formally maintained.	-do-	Waste disposal should be done in an environmental friendly manner.

3.3 Assets Management

Audit Observation	Comments of the Secretary	Recommendation
(a) Register of Fixed Assets for land, buildings and vehicles had not been maintained up to date.	Accept.	Fixed asset records should be maintained up to date.
(b) Although the street lamps were not formally numbered and although a record containing that information should be maintained up to date, a register so maintained up to date, had not been maintained.	Accept.	-do-
(c) Five lands valued at Rs 2,635,000 had not been included in the financial statements.	-do-	It should be accurately accounted for.
(d) Proper actions should be taken to carry out a formal survey and identify the lands and buildings and cemeteries owned by the Sabha , and to apply fence boundaries so as to confirm their physical existence.	Accept.	The physical existence of all land assets should be preserved.
(e) A formal survey on the location, management and operation of tube wells and public wells and a document containing up-to-date information had not been maintained by Sabha.	-do-	-do-
(f) There were 114 land and building assets which were not acquired to the Sabha .	Accept.	The physical existence of all land assets must be preserved.
(g) Although the number of public wells in the Sabha area was 329, only 85 public wells were owned by the Sabha.	-do-	-do-
(h) A sum of Rs.431,750 and Rs.127,000 had been incurred as rent and other expenses respectively during the year under review.	Accept.	Physical existence of all land assets should be secured.

3.4 Human Resource Management

Audit Observation	Comments of the Secretary	Recommendation
(a) There were 54 excess staff exceeding the approved staff of the Sabha.	Accept.	The staff requirement should be reviewed periodically.
(b) A sum of Rs.712,800 had been paid as salaries and allowances for 16 employees recruited on casual, substitute, contract or daily pay basis exceeding the approved staff.	-do-	-do-

3.5 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Secretary	Recommendation
Eight trade stalls in Padeniya Gimanhala, 15 stalls in Katupotha multi-purpose building and the new public mall in Wariyapola had remained inactive.	Accept.	Idle assets should be made active.

4. Accountability and Good Governance

4.1 Action Plan

Audit Observation	Comments of the Secretary	Recommendation
Even though the Sabha had prepared an Action Plan containing the tasks to be accomplished for the year under review, no progress was made during the year in relation to 81 specific indicators identified therein.	Accept	Actions should be taken to make success the plan.

4.2 Internal Control

Audit Observation

Although an Internal Audit Unit of the Sabha has been established and an officer had been appointed for its duties, adequate internal audit was not carried out due to other duties being assigned to that officer in addition to internal audit.

Comments of the Secretary

Accept.

A proper and adequate audit should be done on the affairs of the Sabha.

4.3 Budgetary Control

Audit Observation

There was a variation of 25 to 77 per cent between estimated and actual income in 04 revenue items and more than 30 per cent variation between estimated provision and actual expenditure in 05 expenditure items.

Comments of the Secretary

Accept.

Income and expenditure should be rationally managed.