

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Wanathawilluwa 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 operation, statement of the 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 Subsection 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 presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Wanathawilluwa Pradeshiya Sabha as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified Opinion

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements

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 this 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 financial reporting process of the Pradeshiya Sabha.

As per Sub-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 to be prepared.

1.4 Scope of Audit (Auditor's Responsibility in Auditing 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 judgment and maintain professional scepticism throughout the audit. I also:

- Designed and performed the appropriate audit procedures, identified and assessed 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.
- Obtained 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 the internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluated 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 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 timeframes and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

Special provisions are included in the National Audit Act, No. 19 of 2018 with respect to the following requirements.

- The Financial Statements presented are consistent with that of the preceding year as required by Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- The recommendations made by me during the previous year are included in the financial statements presented as required by 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	Comment of the Secretary	Recommendation
(a) The stock value of 36 goods of 06 items in the vehicle service center had been overstated by Rs.153,600 in the financial statements.	The actions will be taken to rectify by journal records in future.	The actions should be taken to rectify.
(b) As a sum of Rs.596,200 was accounted under fixed assets before the completion of the project to improve the sanitary facilities of the theater, the fixed assets had been overstated by that value.	Do	Do

1.6.2 Absence of written evidences for the audit

Audit Observation	Comment of the Secretary	Recommendation
A subject of account worth Rs.5,946,076 as at 31December of the year under review could not be examined satisfactorily in the audit due to unavailability of physical existence, schedules and other related evidences.	That has been included in the fixed assets register.	The written evidences that can verify the values should be submitted to the audit.

1.7 Non-compliance

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

The instances of non-compliance with Laws, Rules and Regulations and Management Decisions are as given below.

	Reference to Laws, Rules and Regulations	Non-compliance	Comment of the Secretary	Recommendation
(a)	Financial Regulation of the Democratic Socialist Republic of Sri Lanka F.R 571 (2)	The proceedings had not been done as per the regulations in respect of the deposits of Rs. 184,446 which exceeded more than 02 years.	The necessary arrangements have been made to get it to the deposit income.	The proceedings should be done according to the regulations.
(b)	Pradeshiya Sabha (Financial and Administrative) Rules 1988			
(i)	Rule No. 59	Although a survey should be conducted in the Pradeshiya Sabha area by the Revenue Inspector / Revenue Administrator or an officer authorized by the Secretary about the industries / businesses at the end of every year, the proceedings had not been done accordingly.	The surveys will be conducted in the future.	The proceedings should be done according to the rule.
(ii)	Rule No. 218	All the lands and buildings being used and occupied by the Pradeshiya Sabhahad not been checked by a survey board every year.	The documents required for the related survey are currently being prepared.	The proceedings should be done according to the rule.

2. Financial Review

2.1 Financial Results

According to the financial statements submitted, the income exceeding the recurrent expenditure of the Pradeshiya Sabha for the year ended 31 December 2023 was Rs.11,606,618 and the correspondence income exceeding the recurrent expenditure of the previous year was Rs.7,232,699.

2.2 Revenue Administration

2.2.1 Estimated income, billed income, collected income and arrears of income

As per the information presented by the Secretary, the particulars about the estimated income, billed income, collected income and arrears of income related to the year under review and the previous year are given below.

Income Source	<u>2023</u>				<u>2022</u>			
	Estimated income	Billed income	Collected income	Total deficit as at 31 December	Estimated income	Billed income	Collected income	Total deficit as at 31 December
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	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	2,793	2,035	718	3,394	2,712	2,389	415	3,303
Rents	107,626	70,540	70,130	897	60,254	40,586	18,061	7,601
License Fees	479	471	469	371	417	603	435	370
Other income	<u>6,082</u>	<u>4,625</u>	<u>4,093</u>	<u>1,016</u>	<u>29,253</u>	<u>31,399</u>	<u>29,946</u>	<u>2,439</u>
Total	<u>116,980</u>	<u>77,671</u>	<u>75,410</u>	<u>5,678</u>	<u>92,636</u>	<u>74,977</u>	<u>48,857</u>	<u>13,713</u>

2.2.2 Performance in Collecting Revenue

	Audit Observation	Comment of the Secretary	Recommendation
(a)	The overdue assessment tax of Rs. 968,833, overdue acre tax amounting to Rs. 235,230, overdue water tax of Rs. 1,818,518, overdue business tax of Rs. 371,000, overdue shop rentals of Rs. 896,657 and overdue license fees of Rs. 370,500 as at 31 December of the year under review had not been recovered.	The said amounts will be charged in the future.	The actions should be taken to recover the arrears of income.
(b)	There were court fines of Rs. 800,665 and stamp duty of Rs. 3,371,623 that should have been received from the Chief Secretary and the other officers of the Provincial Council and a previous year's stamp duty balance of Rs. 547,385.	The necessary requests have been made by letters.	The actions should be taken to immediately recover the arrears of income.

3. Operation Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Secretary	Recommendation
(a) The amount of Rs. 150,842 related to the account of the Pilisaru project fund being maintained in a state bank remained idle as at 31 December of the year under review.	The necessary actions will be taken to maintain it inactively.	The account should be closed or the money should be used legally.
(b) The motor of the Huler machine which had been installed in the Solid Waste Center had been stolen in the year 2021 and the motor of the Crusher machine had been stolen in the year 2022, and no action had been taken in this regard.	The Officer in Charge of the Police Station has been informed in writing.	The relevant actions should be taken.
(c) The account balance value that should have been received by the Pradeshia Sabha as at 31 December 2023 was Rs. 10,861,011 and it included a balance of Rs. 532,310 that exceeded 05 years.	The said amount will be recovered in the future	The actions should be taken to collect the due money immediately.
(d) The account balance value that should have been paid as at 31 December of the year under review was Rs. 18,198,767 and balance of Rs. 3,267,698, which exceeded 05 years, had not been settled.	The actions will be taken to settle in the future.	The money to be paid should be settled promptly.

3.2 Operational Inefficiencies

Audit Observation	Comment of the Secretary	Recommendation
(a) The last assessment was done in the year 2018 and no new assessment had been carried out to increase the income.	The actions will be taken for a valuation of Assessment Tax.	The actions should be taken to revise the assessment tax.
(b) A survey had not been conducted for the trade licenses and business taxes and the related fees had not been collected in the year under review.	The survey activities are being done for the year 2025.	The arrangements should be made to recover the arrears of income immediately.

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| (c) | The agreement period of 42shops had expired and the actions had not been taken to update those agreements. | The activities required to update have already been started. | The actions should be taken to update the agreements. |
| (d) | Since13 shop rooms; that had been taken over by a decision of the Pradeshiya Sabha, have not been leased, thePradeshiya Sabha had lost revenues. | The Pradeshiya Sabha had lost income as the lessees were not present. | The actions should be taken to give the shops rooms on lease. |

3.3 Idle or under-utilized Property, Plants and Equipment

Audit Observation	Comment of the Secretary	Recommendation
(a) The stock of bodybuilding equipment purchased in the year 2014 at a cost of Rs.3,087,700remained idle without being used by the 02 centers where the bodybuilding equipment has been installed.	Wanathavilluva Bodybuilding Center is being usedat present, and the arrangements will be made to lease the KaraitivuBodybuilding Center.	The stock of bodybuilding equipment and the 02 centers where the bodybuilding equipment has been installed should be used for income generation activities as soon as possible.
(b) The Wanathavilluwa Solid Waste Center and its equipment were decaying due to non-use.	The Solid Waste Center is in a conditionunsustainable to be maintained.	The maximum use should be taken from the physical resources built at the expenses of government funds.

3.4 Assets Management

Audit Observation	Comment of the Secretary	Recommendation
There were 50 properties not acquired in the Pradeshiya Sabha areaand it includedcemeteries,playgrounds,pre-schools,libraries,water pumping stations and weekly fairs.	It will be taken over immediately in the future.	The proceedings should be done immediately to take over the relevant property.

3.5 Human Resource Management

Audit Observation	Comment of the Secretary	Recommendation
(a) 01 tertiary post, 07 secondary posts and 01 primary post in the Pradeshiya Sabha had been vacant as at 31 December 2023.	The prevailing employee vacancies will not be filled in the future.	The number of employees required by the Pradeshiya Sabha should be correctly identified and the approval should be obtained for the said number of employees.
(b) A balance of Rs. 393,478 should have been collected from 10 employees who vacated the service, retired and transferred in the past years.	An amount of Rs. 169,215 has been collected so far.	The arrangements should be made to collect the employee loan balance to be recovered.

3.6 Vehicle System Management

Audit Observation	Comment of the Secretary	Recommendation
(a) Although it has been proposed by a special survey in the year 2020 to dispose the Tractor, it had been decaying without being disposed.	The Commissioner of Local Government has been informed.	The proceedings should be done as per the recommendations of the special survey report.
(b) A tractor and a water bowser had been given to the Pradeshiya Sabha by the Divisional Secretary of Wanathavillu in the year 2011 for a period of 03 months and the said tractor and water bowser were not formally returned and had been parked in the Pradeshiya Sabha premises subject to being decayed.	The Divisional Secretary has been informed to take it again formally.	The arrangements should be made to return it formally.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comment of the Secretary	Recommendation
(a) Even if Rs.119,595 had been spent to fulfill the 07 different tasks stated in the action plan, the intended level of completion had not been achieved.	The expected output could not be achieved corresponding to the amount of money spent.	The relevant programs should be implemented according to the action plan and the proceedings should be done to achieve the level of completion.
(b) Although the provision of Rs.4,600,000 had been made for 16 tasks during the year under review, 09 tasks worth Rs.3,700,000 had been abandoned without gaining the expected results by 31 December of the year under review.	The relevant officers have informed that it is required to work up to the maximum possibility to earn except for the abandoned tasks.	The relevant programs should be implemented according to the action plan and the proceedings should be done to achieve the level of completion.

4.2 Budget Control

Audit Observation	Comment of the Secretary	Recommendation
(a) The entire provision of Rs.1,943,000 that had been made by the budget estimates in relation to 27 objects in the year under review had not been used to achieve the respective budgeted tasks.	The relevant expenses has not been able to be incurred due to unexpected reasons.	The operational activities should be planned in a way of being possible to achieve the budgeted targets.
(b) Also, the provision of Rs . 94,297,198 had been made for 25 objects in relation to the year under review and a quantity of less than 50 percent of those provisions had been spent.	Do	Do

4.3 Sustainable Development Objectives

Audit Observation

The sustainable development goals and targets had not been identified in line with “Sustainable Development Agenda 2030 of the United Nations”,and the said agenda had not been followed in the year under review.

Comment of the Secretary

It will make sure to proceed correctly in the future.

Recommendation

The actions should be taken to achieve the respective objectives and goals according to the sustainable development agenda.