

Wennappuwa Pradeshiya Sabha - 2023

1. Financial statement

1.1 Qualified Opinion

The audit of the financial statements of the Wennappuwa Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the comprehensive income statement, cash flow statement, statement of changes in equity 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 the sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and 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, 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 Wennappuwa Pradeshiya Sabha as at 31 December 2023 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report in respect of the financial statements.

My opinion is qualified 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 the 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

Those charged with governance are responsible for overseeing the financial reporting process of the Pradeshiya Sabha. 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 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 misstatements, 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 a part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also,

- Appropriate audit procedures were designed and performed identify and asses the risks of material misstatements in financial statements whether due to fraud or error 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 an 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 procedure that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the 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 discourses, 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:

The scope of audit has also been widened to examine the following as far as possible and whenever necessary.

- 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 time frames and in compliance with the applicable laws.

1.5 Report on other legal requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements

- (a) As per requirement mentioned in Section 6(1) (d) (iii) of the National Audit Act No. 19 of 2018, the financial statement of the Pradeshiya Sabha is corresponded with financial statements of the previous year

- (b) The recommendations made by me during the previous year are included in the financial statements as requirement by Section 6 (i) (d) (iv) of the National Audit Act No. 19 of 2018 except observations (e) and (f) in paragraph 1.6.1 of this report.

1.6 Audit observations related to the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) 115 lands worth Rs.108,843,509 had not been accounted under fixed assets.	The financial statements of the year 2024 will make adjustments to the account of contribution to income from fixed assets and capital.	Actions should be taken to correct by journal entries.
(b) The allocation of excess audit fees of Rs.66,780 related to the previous year had been adjusted to the creditor account without adjusting the audit fee allocation account of the year under review.	Considering the ease of identification, it is presented under Creditors.	Do
(c) The amount spent on the chemical storage room at the Albert Peiris Stadium had been overstated by Rs.124,416 in capitalization.	The value accounted is correct.	Do
(d) 07 constructions worth Rs.15,967,716 completed in the year under review had not been capitalized..	Actions will be taken to correct by the Financial statement in 2024	Do

1.6.2 Un-reconciled control accounts or records

Audit Observation	Comments of the Secretary	Recommendation
As on 31 December of the year under review, the balance of two account balances as per financial statements was Rs.25,084,176 and as it was Rs.24,850,380, according to the schedules, there was a difference of Rs.344,568.	Actions will be taken to correct in the future.	Actions should be taken to investigate the reasons for the change and correct.

1.6.3 Contingent accounts

Audit Observation	Comments of the Secretary	Recommendation
Actions had not been taken to settle the deferred receivable balance of Rs. 27,175,869 shown in the financial statements from 2017 to 2023.	Efforts will be made in the coming year to correct.	Actions should be taken to correct by journal entries.

1.6.4 Absence of written evidence for audit

Audit Observation	Comments of the Secretary	Recommendation
06 account balances worth Rs.30,044,950 as on 31 December of the year under review could not be satisfactorily verified in the audit due to lack of physical existence, schedules and other related evidence.	Actions will be taken to submit the schedules are correctly	.Actions should be taken to submit the written evidence to confirm the account balances shown in the financial statements.

1.7 Non-compliances

1.7.1 Non-compliance with laws, rules, regulations and management decisions

Following are the cases where laws, rules, regulations and management decisions were not complied with

Reference to laws, rules, regulations etc.	Non-compliances.	Comments of the Secretary	Recommendation
(a) Pradeshiya Sabhas Act No.15 of 1987	Steps had not taken to collect court fines, stamp duty and tax rents and shop rents receivable to the local council.	Axtions are taken to collect the revenue properly.	Actions should be taken to proceed in accordance with the Act.

(ii) Section 143	All the lands and buildings within the jurisdiction of the council had been assessed every 05 years and collected taxes accordingly.	Activities in respect of assessment are in progress.	Actions should be taken to proceed in accordance with the Act.
(iii) Section 159	During the period under review, no action had been taken against business and industry tax defaulters	Actions have been taken to collect outstanding rents by issuing red notices.	Actions should be taken to proceed in accordance with the Act.

2. Financial Review

2.1 Financial Results

According to the financial statements submitted, the income exceeding the recurring expenditure of the council for the year ended 31 December 2023 was Rs.127,946,180 and correspondingly the income exceeding the recurring expenditure of the previous year was Rs.96,054,678.

2.2 Revenue Administration

2.2.1 Estimated Revenues, Billed Revenues, Collected Revenues and Outstanding Revenues

According to the information presented by the Council, the information about the estimated income, billed income, collected income and outstanding income that had been presented in relation to the reviewed year and the previous year is given below.

Source of income	<u>2023</u>				<u>2022</u>			
	Estimated income	Billed income	Collected income	Total Deficit as on 31 December	Estimated income	Billed income	Collected income	Total Deficit as on 31 December
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assessment &								
Taxes	17,965	18,998	15,859	7,052	19,610	20,037	16,005	9,531
Rents	30,027	35,649	35,537	2,856	36,642	31,134	28,698	3,987
License								
Charges	4,065	5,087	5,087	479	4,290	3,817	3,817	264
Other income	<u>19,445</u>	<u>21,100</u>	<u>13,945</u>	<u>7,142</u>	<u>17,823</u>	<u>17,703</u>	<u>8,782</u>	<u>7,360</u>
Total	<u>71,502</u>	<u>80,834</u>	<u>70,428</u>	<u>17,529</u>	<u>78,365</u>	<u>72,691</u>	<u>57,302</u>	<u>21,142</u>

2.2.2 Performance in the Revenue collection

Audit Observation	Comments of the Secretary	Recommendation
(a) As on 31 December of the year under review, actions had not been taken to recover arrears of assessment Rs.6, 874,378, acreage tax Rs.35, 876 and rent Rs.2,865,567.	Actions are taken to collect the outstanding amount of money.	Arrangements should be made to recover the arrears of income promptly.
(b) As of 31 December, 2023, the Chief Secretary of the Provincial Council should have been collected Rs.221,923,591 and court fines of Rs.66,714,364. Out of that, the balance due for court fines less than 01 year were Rs.62,836,287 and court fines for more than 01 year up to 05 years were Rs.3,878,077.	This outstanding amount will be able to be collected promptly in the future.	Arrears of court fines and stamp duty should be recovered expeditiously.

2.3 Surcharges

Audit Observation	Comments of the Secretary	Recommendation
According to Section 172(3) of the Pradeshiya Sabhas Act No. 15 of 1987 and according to the letter dated 15 February,2018 and No.02/09/01/01 A.C. 2006 of the Commissioner of Local Government (North West), Rs.326,355 had to be recovered against the responsible persons.	Steps are being taken to collect surcharges.	Formal actions should be taken regarding recovery of surcharges.

3. Operational Review

3.1 Management inefficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) A total of Rs.1,164,086 had been paid for the installation of the CAT-2020 computer system from the year 2019 to the year 2020 in the form of Rs.949,800 and Rs.214,286 for the service agreement in the year 2023 and due to the	Requests have been made for rectifying the deficiencies in the CAT - 2020 computer system.	Actions should be taken to correct the defects.

existence of many deficiencies in the system, it was not possible to get the reports and no action had been taken to correct them until now.

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| (b) | According to the Gazette of the Democratic Socialist Republic of Sri Lanka No. 2308 dated 25 November 2022, although the fees for trade licenses should be collected before 31 March 2023, the collection of trade license fees for 30 organizations had not been filed and no proceedings had been initiated. | The license fees could not be collected due to the delay in the office of the Medical Officer of Health. | Actions should be taken to recover the revenue. |
| (c) | According to clause 20 of the agreement relating to the lease of shops belonging to Dankotuwa sub-office, although the water bills should be paid by the lessee, the water bills of Rs. 237,770 had been borne by the council due to the non-functioning of the water meters. | Only the electricity bill will be paid by us. | Actions should be taken to recover from the lessee. |
| (d) | Although the fees should be charged as shown in Part IV (b) of the Gazette of the Democratic Socialist Republic of Sri Lanka dated 25 November 2022 regarding the preparation of fees related to the provision of services for the year 2023, contrary to that and without the approval of the council, the Chairman had given Dankotuwa City Hall and Jayakodi Sports Ground for 49 days and the fee to be charged was Rs.410,000. | Stadiums are issued with charges as much as possible. | Actions should be taken to proceed as per the Gassete. |
| (e) | By the North West Provincial Council's Statute No. 01 of 2013, the registration and supervision of community-based organizations had been assigned to the local government of that area but the council had identified 15 community-based organizations established in the local council's jurisdiction and The council had not registered 14 out of them in the North-West Provincial Water Supply and Environmental Sanitation Unit. | Actions will be taken to register. | Actions should be taken to register the community-based organizations. |

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| (f) | As of 31 December 2023, the value of the account balance that should have been received by the council was Rs.87, 097,297, in which there was a balance of Rs.1,680,316 that was over 5 years old. | Answers have not been provided. | Actions should be taken to recover the arrears promptly. |
| (g) | As on 31 December of the year under review, the account balance value was Rs. 135,248,449, of which a balance of Rs. 10,000,000 had not been settled for more than 05 years. | The balance above 05 years is a creditor balance allocated for the construction of the Dankotuwa Pre-school building. | Creditors should settle promptly |

3.2 Operational inefficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) Agreements signed in 1994 for 70 shops had not been updated even by 2023.	The deficiencies are corrected and re-contracting is in progress.	Actions should be taken to update the agreements.
(b) Starting date and ending date had not been specified in the contracts signed for 29 shops.	The deficiencies are corrected and re-contracting is in progress.	Actions should be taken to update the agreements.
(c) As of 12 September 2023, contracts for 41 shops had not been signed.	The agreements will be prepared according to the valuation and the shops will be provided accordingly.	Actions should be taken to update the agreements.
(d) 13 shops whose billing has been stopped since July 2018 and 13 shops which have been removed from the arrears register on the approval of the Governor had not been leased.	further arrangements are being made for leasing.	Actions should be taken to lease the Shops .

3.3 transactions of Contentious nature

Audit Observation	Comments of the Secretary	Recommendation
According to Section 12(1) of the Local Council Act, the General Assembly had accepted the informal proposals made by the Public Facilities Development and Disaster Management Committee for various tasks and from the year 2010 to July 2023, payments of Rs.741,000 had been made to three persons as allowances for switching on and off street lights.	The payment process has been stopped.	Actions should be taken to proceed as per the Act.

3.4 Asset Management

Audit Observation	Comments of the Secretary	Recommendation
(a) No confirmation had been obtained regarding the existence of 23 stadiums owned by the council and their properties.	A survey has been conducted and the update has started.	Actions should be taken to confirm the ownership of the property.
(b) No arrangements had been made to collect the income due from 07 meat and fish shops, 02 toilet systems, a bicycle stand and 09 coconut producing lands.	Although actions were taken to lease, lessees did not come to accept the lease facility.	Actions should be taken to lease out the assets to collect revenue.
(c) There were 99 unclaimed properties within the council's jurisdiction, including offices, public markets, pre-schools, libraries, community halls and cemeteries.	All arrangements have been made to take over all properties.	Urgent steps should be taken to take over the legal rights of the respective properties.
(d) The market value of 12 lands whose value was not mentioned had not been assessed.	Action will be taken to assess the market value and account it.	Corrections should be made to correct by journal entries.

3.5 Deficiencies in contract administration

Audit Observation	Comments of the Secretary	Recommendation
(a) It had been contracted with an external company for Rs.1,116,748 to premix the St. Anthony Mawatha in Nainamadama and this road was previously asphalted but potholed. The length of the entire road was 110 meters and the width was 2.7 meters, for which 38 mm and it had been estimated that 18 mm stones were laid and premix to be tarred as a first, second and intermediate coating, but the amount of Rs.82,914 paid for laying stones for the entire road was an overpayment.	Answers had not been provided.	Payments should be made after preparation and inspection of accurate estimates.
(b) It had been contracted to repair Ranaviru Nevil Priyantha Road in Dummalakotuwa with Shanaka Builders was and the estimated value was Rs.408,296 and the finished work value was Rs.370,470. Work had been completed less than estimated.	Answers had not been provided.	Work should be completed as per the prepared estimate.

3.6 Human Resource Management

Audit Observation	Comments of the Secretary	Recommendation
(a) (i) 12 secondary posts and 19 primary posts had been vacant in the council and an Ayurveda doctor had been employed on contract basis for an executive grade post for many years.	The Local Government Department has been informed in respect of the vacancies.	The number of employees required by the council should be identified correctly and the number of employees should be approved.
(ii) During the year under review, the council had hired 118 employees on casual and contract basis and spent Rs.54,769,427 from the council fund.	Actions have been taken to seek the necessary approvals.	Arrangements should be made to approve the number of employees.

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| (b) | An amount of Rs. 725,391 due from 20 employees who left the service had not been recovered. | Actions will be taken to recover the loan amount. | Actions should be taken to recover the outstanding balance of employee loans. |
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3.7 Vehicle Systems Management

Audit Observation	Comments of the Secretary	Recommendation	
(a)	The ownership of the cab used by the local council had not been taken over to the council.	A request has been made for taking over.	Arrangements should be made to take over the right to the council.
(b)	The two tractors that had been removed from use were recommended to be disposed of under a formal assessment and the Local Government Department had not arranged to provide an assessment for these 02 tractors.	No report has been given by the Board of Assessors.	Arrangements should be made to obtain an assessment.

4. Accountability and good governance

4.1 Annual Action Plan

Audit Observation	Comments of the Secretary	Recommendation	
(a)	Although an amount of Rs. 2,576,128 had been spent to fulfill 15 different tasks mentioned in the action plan, the expected completion levels had not been achieved.	Although the provision was not fully spent, the desired level of completion could not be achieved.	Action should be taken as per Annual Action Plan.
(b)	According to the four-year plan and action plan prepared by the council, the development programs expected to be carried out in relation to the year 2023 of the four-year plan had not been included in the action plan of the year 2023.	Actions will be taken to include in the four year plan.	The development programs expected to be carried out according to the four-year plan should be included in the action plan.

4.2 Budgetary Control

Audit Observation	Comments of the Secretary	Recommendation
(a) Although a value of Rs.497,000 has been provided in the budgetary estimate in relation to 09 heads of expenditure, the entire provision had not been used to achieve the budgetary tasks during the year under review.	There are instances where the entire allocation amount is not spent.	Operational activities should be planned in such a way as to achieve the budgetary targets.
(b) In relation to the year under review, less than 50 percent of the allocation made for 10 budget heads had been spent.	The provisions under the expenditure head were also not spent.	Operational activities should be planned in such a way as to achieve the budgetary targets.

4.3 Environmental issues

Audit Observation	Comments of the Secretary	Recommendation
(a) Prior to the year 2023, a register had not been maintained for public complaints and the action taken on the complaints could not be disclosed and in the year 2023, 102 public complaints were received and no action had been taken on 14 of them.	It is Informed that the register is regularly maintained and corrected.	Actions should be taken to maintain a register to disclose action taken on complaints.
(b) (i) Since 120 industries that need to obtain environmental permits have not obtained environmental permits from the year 2021, the council had lost a lot of income and necessary measures had not been taken in this regard.	Letters are being sent to industrialists.	Industrialists should be directed to obtain environmental permits.
(ii) In accordance with the general terms and conditions of the Environmental Protection Permit for waste release/disposal issued under Section 21 (1) of the North-West Provincial Environmental Act No. 12 of 1990, although it states that an application for	Reminders have been made for the absent industrialists.	Actions should be taken to act according to the statute.

renewal of the permit should be made one month before the expiry of the permit validity period, 33 institutions had not done so.

4.4 Sustainable Development Goals

Audit Observation	Comments of the Secretary	Recommendation
<p>The council had identified 17 sustainable development goals and planned to implement 56 activities to achieve those goals in the year 2023. The progress of those 41 activities ranged from 05 percent to 98 percent.</p>	<p>The change in the percentage has happened due to less progress of the programs that have been implemented after receiving proposals.</p>	<p>Actions should be taken to achieve the sustainable development goals.</p>