**Welimada PradeshiyaSabha – 2024**

## 1. Financial Statements

### 1.1 Qualified Opinion

The audit of the financial statements of the WelimadaPradeshiyaSabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, Statement of changes in Net Assets , Cash Flow Statement 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, the sub section 172(1) of PradeshiyaSabha Act No. 15 of 1987. 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 WelimadaPradeshiyaSabha as at 31 December 2024, and of its financial performance for the year then ended in accordance with generally accepted accounting practices.

### 1.2 Basis for Qualified Opinion

I expressed qualified opinion regarding financial statement 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 pradeshiyasabha financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the pradeshiyasabha 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 pradeshiyasabha, and whether such systems, procedures, books, records and other documents are in effective operation,

- Whether the pradeshiyasabha has complied with applicable written law, or other general or special directions issued by the governing body of the pradeshiyasabha

- Whether it has performed according to its powers, functions and duties, and

- Whether the resources 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 include specific provisions for following requirements.

(a) The financial statements of the pradeshiyasabha 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 of this report 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

### 1.6.1Accounting Deficiencies

| | Audit Observation | Comments of the Council | Recommendation |
|---|---|---|---|
| (a) | As at 31st December of the year under review, the land value was understated by Rs. 5,850,000. | That steps will be taken to correct the situation when preparing next year's accounts. | The assets belonging to the council must be properly accounted. |
| (b) | In accounting for the provisional valuation of lands and buildings for the year under review, the value of ten lands and buildings amounting to Rs. 1,143,611 had been accounted twice. | -Do- | -Do- |
| (c) | The value of land and buildings not in use by the PradeshiyaSabha had been overstated by Rs. 407,500. | -Do- | -Do-. |

### 1.6.2 Documentary Evidences not made available for Audit

| Audit Observation | Comments of the council | Recommendation |
|---|---|---|
| Due to non-submission of the stores advance document, the balance of Rs. 509,659 could not be verified. | A balance from previous years. It is not possible to submit schedules as the information cannot be found. | Information should be sought and clarified. |

### 1.7 Non- Compliances

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

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions etc as follows.

| Reference to Laws, Rules Regulations etc. | Non-compliance | Comments of the Council | Recommendation |
|---|---|---|---|
| Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka<br><br>Financial Regulations 371 | 14 advance balances of Rs. 405,803 given from the year 2000 to the year 2016 had not been settled as at 31st December of the year under review. | Further investigation will be carried out and further action will be taken. | Steps should be taken to settle the advance balance. |

## 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 2024 amounted toRs. 162,114,333 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 87,157,490in the preceding year.

## 2.2 Revenue Administration

### 2.2.1 Performance in Revenue Collection

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

| | Audit Observation | Comments of the council | Recommendation |
|---|---|---|---|
| (a) | **Rates and Taxes** | | |
| | The arrears of assessment tax as at 31st December of the year under review was Rs. 3,815,281 and Rs. 1,952,350 was a balance from 03 years ago. | That further steps will be taken to prohibit the properties with outstanding assessed taxes and collect the relevant fees. | In accordance with the provisions of the Act, arrears of assessed taxes should be collected without delay. |
| (b) | **Rent** | | |
| | The arrears of shop rent as at 31st December of the year under review was Rs. 1,135,968. | That action is being taken to recover the money. | Arrears of rent must be collected promptly according to agreements. |
| (c) | **Water charges** | | |
| | As at 31st December of the year under review, the arrears of water charges amounted to Rs. 1,295,657, of which a balance of Rs. 384,179 had not been collected since 03 years ago. | Action will be taken to recover or write off the debt balances created by those who lost their homes due to the Landegama Water Scheme and the Uma Oya project, which were closed from 28thJuly 2021. | Arrears of water charges should be collected promptly. |

### 2.2.3 Court fines and Stamp duty

| Audit Observation | Comments of the council | Recommendation |
|---|---|---|
| Receivable Court fines of Rs. 10,009,909 and stamp duty of Rs. 118,253,326, asat 31st Decemberof the year under review, had not been collected from the Chief Secretary of the Provincial Council and other authorities. | Although the schedules have been forwarded to the Chief Secretary and the Department of Local Government, they have not been received yet, and the stamp duty has been calculated from April to December 2024 and included in the final account. Although the said schedules have been forwarded to the Chief Secretary and the Department of Local Government, they have not been received yet. | Action should be taken to collect the receivablecourt fines and stamp duties. |

### 2.3 Surcharges

| Audit Observation | Comments of the council | Recommendation |
|---|---|---|
| As per Section 172 (3) of the PradeshiyaSabha Act, 02 surcharges totalingRs. 292,785 imposed by the Auditor General in the year 2019 had not been collected as on 31st December of the year under review. | Instructions have been sought from the Commissioner of Local Government regarding the recovery of that amount through letters dated November 2, 2022 and March 30, 2023. Accordingly, the Commissioner of Local Government is currently taking legal action to recover the Surcharge amount. | The outstanding surcharge should be collected. |

## 3. Operational Review

### 3.1 Performing of Functions Enacted by the Act

Matters revealed with regard to fulfilling regulation and control and administration of publichealth, 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 3of the PradeshiyaSabha Act are shown below.

| | Audit Observation | Comments of the council | Recommendation |
|---|---|---|---|
| (a) | Acting contrary to the provisions of Section 9 "A" of the Cow Slaughter Ordinance No. 09 of 1893, the Council had granted temporary licenses to 03 cow slaughterers, renewing them every two weeks for a period of more than 05 years, and had not acted in accordance with Sections 7 and 10 of the Act. | An annual license has been issued for one private slaughterhouse. Temporary slaughter licenses will be issued every 2 weeks until the Central Environmental Authority licenses are obtained for the remaining two slaughterhouses, and it is expected that a permanent annual license will be issued after the Central Environmental Authority license is obtained. | Action should be taken in accordance with the provisions of the Act. |

| | | | |
|---|---|---|---|
| (b) | A balance of Rs. 201,375,048had been retained in fixed deposits as of December 31st of the year under review without making provisions through the budget for the performance of the powers and functions assigned to the PradeshiyaSabha. | The budget is prepared every year based on the income and expenditure of the previous years. In cases where income exceeds the planned income, the money is kept in the current account and invested in accordance with Financial and Administrative Rules 185. As at 31st December2024, an interest amount of Rs. 16,578,209received from fixed deposits has been credited to the council fund. | Funds should be used for productive development activities. |

**3.2 Management Inefficiencies**

| Audit Observation | Comments of the council | Recommendation |
|---|---|---|
| Rs. 322,723 had been billed from 2010 to 2024 for the assessed tax properties demolished due to the development of the NuwaraEliya-Badulla (A5) road carried out in 2010 and the bridge constructed connecting the NuwaraEliya road and the Uvaparanagama road in Welimada town. | The property has been removed from the new valuation and steps will be taken to remove the previous outstanding balances from the books along with a justification report to the Minister in charge of the subject. | Billing must be done correctly. |

**3.3 Idle or underutilized Property, Plant and Equipment**

| Audit Observation | Comments of the council | Recommendation |
|---|---|---|
| Income was lost due to the inability to lease 12 properties belonging to the WelimadaPradeshiyaSabha in 2024, of which 05 fish shops and 02 restaurants had been idle since 2020. | Work is already underway to invest in alternative sources of income. | Efforts should be made to utilize tender properties that cannot be leased in alternative sources of income. |

### 3.4 Assets Management

| | Audit Observation | Comments of the council | Recommendation |
|---|---|---|---|
| (a) | Pursuant to Section 27 of the Land Ordinance, steps had not been taken to acquire 36 lands and 28 cemeteries owned by the council under transfer orders. | Since 2013, a request has been made to obtain transfer orders regarding 28 cemeteries out of the 36 lands owned by the PradeshiyaSabha and to transfer those lands and cemeteries to the Council. | Steps should be taken to obtain transfer orders for lands that do not have transfer orders. |
| (b) | Under the provisions of the State Lands Act No. 7 of 1987, the necessary powers have been given to the heads of institutions to evict unauthorized occupants and take over the property. However, without taking action accordingly, a case had been filed to evict unauthorized occupants from the lands of Gala Wagure and Welangasella owned by the WelimadaPradeshiyaSabha. | Under the provisions of the State Lands Act No. 7 of 1979, the necessary powers have been given to the heads of institutions to evict unauthorized occupants and take over the property, but even though those powers should be exercised, it was necessary to file a lawsuit to evict unauthorized occupants from the lands of the Welimada Provincial Council, namely the Gala Wagure land and the Welangas Ella. | Action should be taken in accordance with the provisions of the Act. |

### 3.5 Human Resources Management

| | Audit Observation | Comments of the council | Recommendation |
|---|---|---|---|
| (a) | The approval of the Local Government Commissioner had not been obtained for 26 casual health workers who had been recruited by the council between January 2007 and October 2020. | Financial Regulation 71 forms and justification reports have been submitted to the Management Department to approve new posts based on the number of casual substitute daily and temporary employees currently serving. | The number of employees must be approved. |
| (b) | According to the approved staffing reports for the PradeshiyaSabha, 63 officers were employed in excess of the approved staffing for 08 posts, while 05 vacancies remained in 05 posts. | That work will be done to balance the staff board in the future. | Excess staff must be approved. |

| | | | |
|---|---|---|---|
| (c) | Although the outstanding loan balances of retired, abandoned and deceased officers should be recovered from the guarantors in accordance with Sections 1.6and 4of Chapter XXIV of the Institutions Code of the Democratic Socialist Republic of Sri Lanka, the outstanding staff loan balances of Rs. 199,379dating back to before 2005had not been recovered from four employees. | That action will be taken to recover the money. | Must compliance with laws, rules, and regulations. |

**3.6 Management of Vehicle fleet**

| Audit Observation | Comments of the council | Recommendation |
|---|---|---|
| The Uva Provincial Government Ministry had provided a motor vehicle on July 13, 2021 to prepare a hearse, and although Rs. 344,800 had been spent on preparing it for use, it remained idle as permission had not been obtained from the Department of Motor Traffic. | That the motor vehicle registration certificate will be obtained and used to fulfill future purposes. | The relevant registration and acquisition should be carried out promptly. |

**4. Accountability and Good Governance**

**4.1 Budgetary Control**

| Audit Observation | Comments of the council | Recommendation |
|---|---|---|
| When comparing the estimated income and expenditure according to the budget prepared by the Council for the year under review with the actual income and expenditure for the year, there were variations ranging from 17 percent to 181 percent in 05 income items and from 39 percent to 68 percent in 05 expenditure items. | No answers provided. | The budget should be used as an effective control tool. |

## 4.2 Environmental Problems

| | Audit Observation | Comments of the council | Recommendation |
|---|---|---|---|
| (a) | The environmental protection permit had not been obtained for the crematorium located in Divithotawela, which had been operating since 2008. | The field inspection fees related to obtaining the environmental protection license have been paid and the necessary recommendations for paying the license fee of Rs. 5,241 have been referred to the Management Committee. After receiving those recommendations, steps will be taken to obtain the license. | Environmental protection permits must be obtained for the crematorium. |
| (b) | Waste from fish markets and businesses belonging to the PradeshiyaSabha located near the public bus stop in Welimada town was directed into the Uma Oya canal that flows through the middle of the town. | That steps are being taken to prevent this situation. | Waste disposal should be managed in an environmentally friendly manner. |