**Welivitiya Divithura Pradeshiya Sabha - 2024**

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## 1. Financial Statements

### 1.1 Qualified Opinion

The audit of the financial statements of the Welivitiya Divithura Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Statement of financial position as at 31 December 2024, 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 the provisions with subsection 10(1) 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 accompanying financial statements give a true and fair view of the financial position of the Welivitiya Divithura Pradeshiya Sabha as at 31 December 2024, 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 skepticism 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 contains special provisions regarding the 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 | Comment of the Sabha | Recommendation |
|---|---|---|---|
| (a) | The value of the solar panel and rain cover installed in the Ethkandura Pura Neguma building, with a total value of Rs.4.02 million, had not been accounted for under machinery but had been capitalized under land and buildings. | Will be corrected in the financial statements for the year 2025. | Fixed assets should be properly identified and listed under the correct classification. |
| (b) | The value of security camera systems with a total value of Rs.418,050 had not been capitalized under plant and machinery. | Will be corrected in the financial statements for the year 2025. | Purchases of fixed assets should be properly identified and shown under the correct classification. |
| (c) | The value of books donated to libraries had been overstated by Rs.52,413. | Will be corrected in the future. | Should be accounted correctly. |
| (d) | The under-compensated permanent staff salary expenses of Rs.47,033 had not been accounted for as a receivable balance at the end of the year under review. | Will be corrected in the future. | Receivables should be accounted accurately. |

### 1.6.2 Unreconciled control accounts

| Audit Observation | Comment of the Sabha | Recommendation |
|---|---|---|
| There was a difference of Rs.1.78 million between the balances related to 02 accounting items shown in the financial statements and the balances shown in the related utility schedules. | Will be corrected in the future | Action should be taken to rectify after comparing the differences. |

### 1.6.3 Documentary Evidences not made available for Audit

| Audit Observation | Comment of the Sabha | Recommendation |
|---|---|---|
| Due to non-submission of Detailed schedules for the confirmation of 02 accounting items aggregating to Rs.15.37 million could not be examine satisfactorily. | The document will be maintained and updated from the year 2025. | Written evidence should be submitted to the audit. |

## 1.7 Non-compliances

### 1.7.1 Non-compliance with Laws, Rules, Regulation and Management Decisions

Non-compliance with laws, rules, regulations and management decisions are shown below.

| Reference to Laws, Rules, Regulation | Non – Compliance | Comment of the Sabha | Recommendation |
|---|---|---|---|
| **Financial Regulation 571 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka** | Action had not been taken in accordance with financial regulations regarding 73 overdue balances of Rs.1.77 million, which were over 2 years old. | Will be corrected in the future. | Actions should be taken in accordance with the financial regulations. |

## 2. Financial Review

### 2.1 Financial results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs.6.82 million as against with the excess of recurrent expenditure over revenue amounting to Rs.4.82 million 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 submitted by the Secretary of the Sabha, the information on estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year is shown below.

| | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| 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 Rs. |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | |
| Rates andTax | 772,750 | 1,008,578 | 973,152 | 59,494 | 663,000 | 812,853 | 821,629 | 24,068 |
| Rent | 259,200 | 327,096 | 325,696 | - | 343,200 | 129,540 | 140,680 | (1,400) |
| License Fees | | 542,075 | - | 542,075 | 86,200 | 329,259 | 329,259 | - |
| Other Income | 7,295,050 | 5,226,031 | 5,293,767 | 45,987 | 2,058,500 | 6,112,507 | 6,100,679 | 113,723 |
| | 8,648,350 | 7,103,780 | 6,592,615 | 647,556 | 3,150,900 | 7,384,159 | 7,392,247 | 136,391 |

### 2.2.2 Performance in Revenue Collection

Observations related to performance in revenue collection of the Sabha are given below.

| Audit Observation | Comment of the Sabha | Recommendation |
|---|---|---|
| **(a) Rates and Taxes** | | |
| In accordance with Sub-section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987, the assessment taxes of 05 Grama Niladhari Divisions located within the jurisdiction of the Sabha had not been collected by the end of the year under review. | The necessary periodic reports for the imposition of assessment taxes are being obtained. | Revenue should be collected from all assessable properties in a timely manner, and appropriate action should be taken in cases of non-compliance. |

**(b)Rent**

| | | |
|---|---|---|
| 10 unusable shops, which had been leased at a monthly rent of Rs.200 since 2017, had been closed from time to time since the date they were leased, and the Sabha had not been taken action to repair these shops. | The ownership of the land will be legally transferred to the Sabha and action will be taken to renovate the shops. | The 10 closed shops should be renovated and given to the parties according to the correct tender procedure to generate income. |

**(c) Other Revenue**

| | | |
|---|---|---|
| The court fines due from the Chief Secretary of the Provincial Council and other authorities as at 31 December of the year under review were Rs.0.13 million and stamp duty was Rs.4.62 million. | Action will be taken to collect the arrears of income. | A formal program should be developed and implemented to collect the arrears of income. |

## 3. Operational Review

### 3.1 Performing the 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.

| Audit Observation | Comment of the Sabha | Recommendation |
|---|---|---|
| Only one Ayurvedic doctor is employed at the three Ayurvedic centers within the Sabha area, and the people of the area have limited access to treatment during the 5 days of the week. Also, due to the shortage of staff at the Ayurvedic medical center, the herbal garden has been destroyed due to lack of proper maintenance, and the amount of medicine being wasted has increased due to the difficulty in operating the on-site treatment unit. | Requests have been made for vacant positions. | Action should be taken to fill vacant positions promptly and provide more effective service. |

### 3.2 Management Inefficiencies

| | Audit Observation | Comment of the Sabha | Recommendation |
|---|---|---|---|
| (a) | 265 stock items value Rs.217,931 purchased by the Sabha were lying idle in the stores without being used for a period of between 01 and 09 years. | Will be correct it in the future. | It is necessary to check whether any losses have occurred due to purchases made without properly identifying the need and take action to recover the losses from the responsible officials. |
| (b) | Due to the failure of 155 institutions that were required to obtain environmental permits for the year 2024 to obtain permits, the Sabha had not collected Rs.0.46 million in permit fees and Rs.0.30 million in inspection fees, and the Sabha had not paid attention to the damage to the environment. | A field investigation will be conducted and action will be taken to quickly obtain approval for an environmental licensing system. | Immediate action should be taken against institutions that are required to obtain environmental permits but have not obtained them. |

### 3.3 Operational Inefficiencies

| Audit Observation | Comment of the Sabha | Recommendation |
|---|---|---|
| During the inspection of the quantity of tea leaves harvested and sold from January to December 2024 from the 1 acre of tea cultivation land owned by the Sabha, 354 kilos of tea leaves were missing, resulting in a loss of income of Rs.78,319 to the Sabha. | The weight of the packages, for moisture and mature leaves, will decrease by an average of two percent. | The causes of unusual waste should be investigated and necessary actions should be taken promptly. |

### 3.4 Assets Management

| | Audit Observation | Comment of the Sabha | Recommendation |
|---|---|---|---|
| (a) | Although an elevator was installed for the disabled in the two-story building constructed in 2017 under the Pura Neguma Project at a cost of Rs.34.77 million, there was no space for a disabled person using a wheelchair to access it and the elevator had been out of service since 2017. | It is planned to be restored. | The officials responsible for such expenses incurred without properly identifying the need should be held accountable. |
| (b) | The multi-purpose building, which had been constructed as a fully-equipped function hall under the Pura Neguma project, remained underutilized. | Will not be underutilization. | A plan should be prepared to effectively utilize the multi-purpose building. |

### 3.5 Procurement Management

| Audit Observation | Comment of the Sabha | Recommendation |
|---|---|---|
| Although the Finance Committee had decided to compare the prices received from 05 institutions to purchase electrical goods during the year under review and make purchases taking into account the factors of proximity and the lowest price, the Sabha Fund had suffered a loss of Rs.0.17 million due to non-compliance. | The decisions of the Finance Committee will be acted upon. | Procurement activities should be carried out with due care so that such losses do not occur in the future, and the losses incurred should be recovered from the responsible officials. |

### 3.6 Human Resources Management

| Audit Observation | Comment of the Sabha | Recommendation |
|---|---|---|
| As at the end of the year under review, there was a surplus of 01 tertiary category post and 05 secondary category posts. | Expected to be approved in the future. | A staff review should be conducted according to the functions and scope of the Sabha and attention should be paid to managing the staff accordingly. |

## 4. Accountability and Good Governance

### 4.1 Annual Action Plan

| Audit Observation | Comment of the Sabha | Recommendation |
|---|---|---|
| The proposed targets had not been achieved by the vegetable cultivation project associated with the Pura-Neguma premises included in the action plan approved by the Sabha for the year under review. | Cultivation will commence in the future based on the recommendations of the Agricultural Advisor. | The action plan should be scientifically formulated and implemented, taking into account available resources and funding. |

### 4.2 Budgetary Control

| Audit Observation | Comment of the Sabha | Recommendation |
|---|---|---|
| An expenditure of Rs.2.46 million had been incurred in excess of the approved limit for 05 expenditure items. | Action will be taken to ensure that there are no shortcomings in the coming year. | Budgets should be used as a management control system. |