Weerakatiya Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Weerakatiya Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the 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 of 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 read in conjunction with in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka. 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 Weerakatiya 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, 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 include 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 all the recommendations made by me in the previous year expect the audit matters of 1.6.1(f) described in paragraph 1.6 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

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	During the year under review, land and buildings acquired and constructed, as well as machinery and equipment purchased, with a total value of Rs.2.54 million, had not been accounted for under Contribution to income through fixed assets and capital expenditure.	It was reported that corrections will be made in the year 2025.	The value of the lands and buildings acquired and constructed, together with the machinery and equipment purchased, should be accurately accounted for in the year 2025.
(b)	Recurrent expenses amounting to Rs.163,876 incurred during the reviewed year had been accounted for as capital expenditure.	It was observed that recurrent expenses had been incorrectly recorded as capital expenditure.	Capital and recurrent expenditures should be correctly identified and recorded.
(c)	Expenses amounting to Rs.761,561 had not been accounted for as accrued expenses.	It was stated that necessary corrections will be made in the year 2025.	Expenses amounting to Rs.761,561 for which no provisions had been made, should be properly accounted for in the year 2025.
(d)	For the year of under reviewed, stamp duty income had been understated by Rs.4,442,464 and stamp duty receivable had been overstated by Rs.246,556.	It was stated that corrections will be made in the year 2025.	Stamp duty income and receivable balances should be accurately accounted.

(e)	Work completed amounting to Rs.987,966 had already been paid to the contractor but was still recorded as a payable balance. .	It was stated that corrections will be made in the year 2025.	The overstated balance of industrial creditors should be corrected.
(f)	During the previous year, seven 1,000-liter water tanks valued at Rs.85,218 received as a donation from the Department of Local Government, had not been accounted for under fixed assets.	It was stated that necessary corrections will be made in the year 2025.	The value of the donated assets should be recorded under fixed assets.
(g)	Security deposits amounting to Rs.641,226 which should have been recognized as income for the reviewed year, had been credited to the accumulated fund, resulting in an understatement of the surplus for the year by that amount.	It was stated that income will be correctly recognized and recorded in the future.	Income relating to the reviewed year should be accurately identified and accounted for.
(h)	Creditor payments amounting to Rs.1.27 million from the previous year had been recorded as expenses for the current year.	It was stated that future payable expenses will be correctly identified and recorded.	The overstatement of expenses amounting to Rs.1.27 million should be corrected.

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Sabha	Recommendation
A difference of Rs.37.39 million was observed between the balances of three account items shown in the financial statements and the corresponding balances appearing in the supporting documents /sub-ledgers.	It was stated that action will be taken to correct the balances in the supporting documents.	Supporting documents should be updated, and discrepancies between account balances should be reviewed and corrected.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Verification could not be satisfactorily carried out in respect of two account items valued at Rs.49.11 million due to the non-submission of fixed asset registers.	It was stated that such records are currently unavailable but will be maintained in the future.	Fixed asset registers confirming the account balances shown in the financial statements should be properly maintained and made available for audit.

1.7 Non- Compliances

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

All observations related to non-compliances with Laws, Rules, Regulations and Management decisions etc. be shown under this heading.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a)	Section 20 of the Rating and Assessment Ordinance No. 30 of 1946	Although properties subject to assessment tax should be revalued once every five years, such revaluation had not been carried out, and assessment tax for the reviewed year had been levied based on the 2002 valuation.	It was stated that a new valuation will be implemented from the year 2025.	In accordance with the prescribed regulations, assessment properties should be revalued once every five years, and assessment tax should be levied accordingly.
(b)	The amendment made to the National Environmental Act No. 47 of 1980 by the Extraordinary Gazette No. 2264/18 dated 27, January 2022	Sixteen business units that were required to obtain Environmental Protection Licenses (EPL) had failed to do so during the reviewed year, resulting in a loss of potential income amounting to Rs.72,000 to the Sabha Fund.	It was stated that written notifications had been issued to these business units. .	Action should be taken to issue Environmental Protection Licenses to the 16 business establishments in accordance with the provisions of the National Environmental Act

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of recurrent revenue over expenditure of the Sabha for the year of under review amounted to Rs.67.51 million as corresponding with the excess of recurrent revenue over expenditure amounted to Rs.41.19 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 presented by the Secretary of the Sabha, Information relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below

	2024				2023			
Source of Revenue	**Estimated Revenue (Rs)**	**Revenue billed (Rs)**	**Revenue Collected (Rs)**	**Arrears as at 31 December (Rs)**	**Estimated Revenue (Rs)**	**Revenue billed (Rs)**	**Revenue Collected (Rs)**	**Arrears as at 31 December (Rs)**
Rates and taxes	3,847,500	16,957,935	17,552,624	3,761,508	3,835,000	3,744,817	4,907,714	4,356,197
Rent	40,237,200	43,474,276	45,518,745	6,588,509	31,582,600	62,201,239	72,307,611	8,632,978
License fees	2,813,000	3,795,516	3,463,781	721,818	2,155,000	3,320,755	3,494,147	390,083
Other income	64,382,280	26,064,972	26,078,861	-	14,523,000	15,985,664	15,971,775	13,889
Total	**111,279,980**	**90,292,699**	**92,614,011**	**11,071,835**	**52,095,600**	**85,252,475**	**96,681,247**	**13,393,147**

2.2.2 Performance in Revenue Collection

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Action had not been taken, in terms of Section 158(1) of the Pradeshiya Sabha Act, to recover assessment tax amounting to Rs.3.4 million due from 2,235 assessment units.	It was stated that Rs.514,421 had been recovered and that steps are being taken to recover the remaining arrears.	Outstanding revenue should be recovered without delay.
(b)	According to Section 158(1)(a) of the Pradeshiya Sabha Act, if an assessment tax is not paid within the prescribed period, the Secretary should issue a warrant authorizing an officer of the Sabha to recover the	It was stated that Rs.158,349 had been recovered and that steps are being taken to recover the remaining arrears.	Outstanding revenue should be recovered promptly in accordance with Section 158(1)(a) of the Pradeshiya Sabha Act.

	outstanding amount. However, action had not been taken to recover assessment tax amounting to Rs.1.19 million due from 164 property owners, each owing more than Rs.5,000.		
(c)	Shop rent and market tax receivable amounting to Rs.6.59 million had not been recovered. .	It was stated that Rs.18,000 of shop rent and Rs.929,305 of market tax had been recovered, and that legal action is being taken to recover the remaining arrears.	Outstanding revenue should be recovered without delay.
(d)	Advertising board fees amounting to Rs.709,310, which should have been collected for the display of advertisement boards within the Pradeshiya Sabha area, had not been recovered.	It was stated that Rs.596,060 had been recovered and that legal action has been initiated to recover the remaining arrears.	Outstanding revenue should be recovered without delay.
(e)	Court fines and stamp duty receivable from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.3.34 million and Rs.58.05 million respectively.	It was stated that Rs.3.29 million of court fines had been recovered, that the remaining arrears had been referred for write-off, and that action is being taken to recover the outstanding stamp duty.	A formal procedure should be established in coordination with the Chief Secretary, the Governor, and the Land Registrar's Office to ensure the proper recovery and management of these revenues.

3. Operational Review

3.1 Identified Losses

Audit Observation	Comments of the Sabha	Recommendation
In 2014, three projects were undertaken using the Sabha's machinery and vehicles, which had been provided to the Urban Development Authority (UDA). Although an amount of Rs.906,429 was due to the Sabha for this purpose, the UDA had informed that Rs.413,529 of this amount could not be paid. As a result, the Sabha Fund had suffered a loss due to the failure to recover the relevant hire charges and to properly safeguard Sabha assets.	It was stated that the Urban Development Authority has been informed to settle the outstanding amount and that steps are being taken to recover it.	The income of Rs.413,529 due to the Sabha should be recovered.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
A case had been filed against the lessee of the Weerakatiya Public Market for failing to pay Rs.820,558 due for the year 2007. According to the court judgment of Case No. M–687, delivered on 28 November 2019, the lessee was ordered to pay the outstanding lease amount along with legal fees. However, as at 31 December 2024, five years after the judgment, the Sabha administration had not taken action to recover the amount due.	It was stated that the attorney-at-law had been informed in writing to take immediate action regarding the recovery of the dues and that steps are being taken to recover the amount.	The relevant court judgment should be implemented without delay.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
During the reviewed year, 23 industries that had been issued trade licenses by the Sabha had not obtained Environmental Protection Licenses (EPL), resulting in a loss of income amounting to Rs.103,500 to the Sabha.	It was stated that EPLs had been issued and fees recovered for six industries, and that steps are being taken to issue licenses and collect fees from the remaining industries.	Business establishments should be encouraged to obtain Environmental Protection Licenses.

3.4 Asset Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Although the Sabha had been using 24 plots of land totalling 24 acres and 26.83 perches and 2 vehicles, action had not been taken to legally transfer ownership of these assets to the Sabha.	It was stated that the necessary procedures to transfer the lands and vehicles are currently in progress.	Legal ownership of the 24 lands and 2 vehicles used by the Sabha should be formally transferred without delay.
(b)	Although the Sabha-owned land could have been leased out to generate income from their production, five plots of land totalling 1 acre, 3 roods, and 27.12 perches had not been leased accordingly.	It was stated that tenders will be called and lessees selected for leasing these lands.	Action should be taken to utilize the Sabha-owned lands for income-generating purposes.

(c)	Five plots of land totalling 2 acres, 2 roods, and 39.18 perches belonging to the Sabha had been used without authorization, however, no action had been taken regarding this matter. .	It was stated that steps are being taken to identify the lands and ensure their protection. security of those lands should be ensured	Persons occupying Sabha-owned lands without authorization should be removed, and the security of those lands should be ensured.
(d)	The Sabha's R2 Sakai vehicle, which had been withdrawn from running, had neither been repaired nor disposed of.	It was stated that necessary steps are being taken to dispose of the vehicle.	Action should be taken either to dispose of the vehicle or to repair and put it back into use.
(e)	Fourteen shop rooms in front of the Walasmulla bus stand valued at Rs.165.13 million, and the upper floor of the shop complex near the Weerakatiya market valued at Rs.15.13 million, had been deteriorating due to the lack of proper development activities. However, the Sabha had not taken necessary action regarding this matter.	It was stated that provisions will be allocated through the 2026 budget to carry out the relevant development work.	Development plans necessary to safeguard these assets should be properly prepared and implemented.
(f)	A shop room in front of the Walasmulla bus stand and an open space measuring 135 feet in length and 25.3 feet in width in the public market building had remained unused.	It was stated that necessary action has been taken to put the open space into use.	Action should be taken to utilize the assets fully and productively.

3.5 Delays in Project Activities or Capital works

Audit Observation	Comments of the Sabha	Recommendation
Two road projects implemented under the 2024 revised budget had been discontinued midway due to the failure to extend the contract period.	It was stated that although requests were made for time extensions owing to unfavourable weather conditions, the projects were suspended based on verbal instructions from the Divisional Secretary as the contract period had not been extended.	Development projects should be completed in accordance with the signed agreements, and any revisions to project plans should be supported by justifiable reasons.

3.6 Human Resources Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	By the end of the reviewed year, 12 excess cadre positions related to two posts of the Sabha had not been regularized.	It was stated that the Sabha does not have the authority to rectify the excess cadre pertaining to the post of Development Officer, and that action is being taken to obtain approval for the post of Computer Operator.	A review should be conducted regarding the staff requirements of the Sabha.
(b)	Due to the failure to implement the transfer policy in accordance with Public Administration Circular No. 18/2001 dated 22 August 2001, two officers/employees of the Sabha had been serving in the same workplace for periods ranging from 5 to 10 years.	It was stated that transfer applications for these officers have been submitted for the 2025 annual transfers.	The transfer policy should be properly implemented in accordance with the provisions of the circular.

4. Accountability and Good Governance

4.1 Budgetary Control

	Audit Observation	Comments of the Sabha	Recommendation
(a)	An unfavourable variance of Rs.6.9 million was observed in three expenditure items, ranging between percentage of 15 and 166.	It was stated that this was due to increased staff expenses and the need to bear not estimated costs.	Variances should be minimized through proper planning, and greater attention should be paid to effective expenditure control.
(b)	During the reviewed year, budget reallocations amounting to Rs.16.99 million had been made among expenditure items, and this situation had arisen due to the failure to allocate provisions accurately for relevant expenditure heads.	It was stated that, in addition to the forecasted expenses, unforeseen expenditures had to be incurred.	Expenditures should be properly identified, and the required budgetary provisions should be accurately estimated.