

Warakapola Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Warakapola Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and Statement of financial performance, Statement of changes in net assets / equity, 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, the sub section 172(1) of Pradeshiya Sabha 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 Warakapola 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 financial statement 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 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 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 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 Council	Recommendation
(a) Since the total value of 14 of machinery, Rs. 1,597,670, had not been capitalized, Non-Current Assets and Contribution from Revenue to Capital Outlay Account had been understated by that value.	That step will be taken to investigate and account for the machinery existing in the fixed assets register.	Assets must be accounted for correctly.
(b) The capital expenditure of Rs. 753,012 incurred during the year under review was not capitalized, and therefore the Non-Current Assets and Contribution from Revenue to Capital Outlay Account was understated by that value.	That will be working to capitalize.	Capital expenditure must be accounted for correctly.
(c) The operating surplus for the year was overstated by that amount due to the recurring expenditure of Rs. 257,480 being accounted for under capital expenditure.	Instructions were given to account for the correct expenditure headings in the future.	Expenses must be accounted for correctly.
(d) The revenue received in the year 2023, Rs. 615,483, was still held in the general deposit at the end of the year under review., the current liabilities were shown higher by that value, while the accumulated fund was shown lower by the same value.	That will be working to generate income.	Income must be accounted for correctly.

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| (e) The statement of changes in equity did not include the Contribution from Revenue to Capital Outlay Account. | That will act correctly in the year 2025. | The statement of changes in equity must be prepared correctly. |
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1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Council	Recommendation
There were unreconciliations of Rs. 67,909,009 between the balance as per the financial statements and the balances as per the detailed schedules and supporting documents in relation to 11 accounting subjects.	That will be working to correct it.	The difference must be identified and corrected.

1.7 Non- Compliances

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a) The Democratic Socialist Republic of Sri Lanka Financial Regulations 571	35 deposit balances of Rs. 699,994 dating back to 2008 had not been settled as at 31 st of December 2024.	That steps will be taken to include deposits that have been in place for more than 2 years as income.	Deposit balances should be dealt with in accordance with monetary regulations.
(b) Asset Management Circular No. 05/2020 dated 02 October 2020	A tractor that had been idle for 11 years had not been disposed of by the end of the year under review.	Since the committee's recommendation for disposal has been received, steps are being taken to refer the matter to the Assistant Commissioner of Local Government for further action.	Action should be taken in accordance with the circular regarding idle assets.

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 to Rs. 48,031,868 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 29,968,619 in the preceding year.

2.2 Financial Control

	Audit Observation	Comments of the council	Recommendation
(a)	Appropriate action had not been taken regarding a bank account with a balance of Rs. 70,774 that had been inactive since 2010.	That the staff loan will be transferred to the account and corrected.	Appropriate action should be taken regarding bank accounts.
(b)	The credit balance of Rs. 81,969 on the returned cheque from the year 2016 had not been settled in the year under review.	That will working to correct it.	Returned cheque should be cleared promptly.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

According to the information submitted by the Secretary, the estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

Source of income	2024				2023			
	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	11,317,766	9,606,333	12,735,486	7,983,069	7,984,000	8,814,167	6,299,993	7,781,796
Rent	13,241,249	10,684,741	13,199,101	1,963,132	20,896,515	5,588,033	13,931,276	1,805,805
License fees	2,717,500	1,240,099	1,240,099	82,650	3,396,000	-	1,317,387	332,900
Other Revenue	<u>16,381,000</u>	<u>2,890,820</u>	<u>2,888,148</u>	<u>1,039,138</u>	<u>15,299,180</u>	<u>1,061,861</u>	<u>10,851,326</u>	<u>955,345</u>
	<u>43,657,515</u>	<u>24,421,993</u>	<u>30,062,834</u>	<u>11,067,989</u>	<u>47,575,695</u>	<u>15,464,061</u>	<u>32,399,982</u>	<u>10,875,846</u>

2.3.2 Performance in Revenue Collection

	Audit Observation	Comments of the council	Recommendation
(a)	The arrears of assessment balance at the end of the year under review was Rs. 7,457,763, including a balance of Rs. 2,079,779 that was older than 03 years.	That efforts are being made to improve the efficiency of arrears collection.	Action should be taken to recover the arrears of revenue.

(b)	Out of the outstanding acreage tax balance of Rs. 248,999 that was due at the end of the year under review, Rs. 242,069 had not been settled as of April 30, 2025.	That one day a week has been allocated to the revenue collection plan for the collection of acreage taxes.	Steps should be taken to settle outstanding acreage taxes.
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3. Operational Review

3.1 Failure to reach expected outcome

Audit Observation	Comments of the council	Recommendation
Although a total of Rs. 2,210,707 was spent on the construction of the Dendigama Multi-Functional Service Center, which was Rs. 550,748 in 2022 and Rs. 1,659,959 in 2024, the expected objectives could not be achieved due to the inability to complete the construction to a usable level.	This project is being implemented in phases. It has been informed that a provision of two million rupees has been allocated for phase II and estimates are being prepared for it, which will enable the construction to be completed to a level where the building can be used.	Construction should be completed and the building should be utilized effectively.

3.2 Management Inefficiencies

Audit Observation	Comments of the council	Recommendation
In the financial statements, 03 debit balances of Rs. 589,302 and 05 credit balances of Rs. 2,711,028 carried forward from before 1997 had not been identified and settled.	Since these accounts have been in existence for a long time, there are no documents, detailed schedules, balance sheets, or supporting documents to verify the value.	The existence of the balance should be checked and appropriate action should be taken.

3.3 Idle Assets

Audit Observation	Comments of the council	Recommendation
No steps had been taken to repair or dispose of the generator, which had been inactive for a year.	A request has been made to the Deputy Chief Secretary Engineer to inspect the situation and the necessary action will be taken after receiving the report.	The condition should be checked and repairs or disposal should be made.

3.4 Assets Management

Audit Observation	Comments of the council	Recommendation
(a) The ownership of 02 playgrounds, 02 pre-schools, a weekly market and 53 cemeteries owned by the council had not been takeover by the end of the year under review.	That steps are being taken to take over the legal ownership of the assets owned by the council.	The ownership of the assets owned by the council should be taken over.
(b) As per Section 07 of the Sabaragamuwa Local Government Commissioner's Local Government Circular No. 08/2010, the boundaries of two cemeteries had not been cleared and protective fences had not been installed, resulting in the residents of the area illegally occupying the land.	That steps will be taken to identify and settle the boundaries of the cemeteries and take them over to the council.	Steps should be taken to ensure the security of assets and to acquire not permission occupied land plots.
(c) Although a survey was carried out on 24 November 2024 at a cost of Rs. 25,000 to divide and settle a land that had been transferred to the council through a gift deed with an area of 10 perches, a permanent fence had not been installed by January 2025. Also, foundation pits for pillars had been cut with the intention of constructing another building adjacent to the building on that land without the consent of the council.	That a permanent fence is being installed and that the unauthorized activity has been stopped after the technical officer inspected the relevant location.	Necessary measures must be taken to protect the property owned by the sabha.

3.5 Defects in Contract Administration

Audit Observation	Comments of the council	Recommendation
While some parts of the Burnnawa Ambagahamula road were in a very difficult condition for vehicles to pass, Rs. 415,392 was spent in 2024 to construct a 27.6 meter long side wall at the end of the road without taking steps to develop the road with concrete. Although it had been stated that the side wall would be used for the safety of the road, the on-site inspection did not confirm that such an unsafe condition existed in the section where the side wall was used. Also, the owner of the land adjacent to the road had been provided with the opportunity to construct a wire fence using concrete posts on the side wall constructed by the sabha.	Since the location was a narrow place with swamps on both sides, it was necessary to prepare it by filling it with soil and raising it up. Therefore, a portion of the landowner's land on the left was acquired for the road and the embankment was constructed, and the boundary posts of the land were given the opportunity to be erected at the end of the embankment.	Development projects should be planned and implemented in a way that benefits the largest number of people.

3.6 Human Resources Management

Audit Observation	Comments of the council	Recommendation
The loan balance of Rs. 105,305 relating to two employees who left the service in 2009 and died in 2019 had not been settled as at 31 st of December 2024.	That one debt balance has been recovered from the death gratuity, and that the other debt balance has been sent to obtain the approval of the Honourable Governor to be written off.	Arrears of loan balances must be settled.