

Weligama Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Weligama Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, statement of financial and operational performance, statement of changes in net assets and 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 Sub Section 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 statement of financial positions as at 31 December 2024 of the Weligama Pradeshiya Sabha, and of its financial performance and its cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

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 Principles, 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 to be prepared.

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 exercise 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 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 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 Industry;
- 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

The National Audit Act No.19 of 2018 includes 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 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 Observations	Comments of the Council	Recommendation
(a) The general warehouse stock by Rs.4.36 million and the fuel stock by Rs.0.12 million had been over accounted.	Agreed.	Accounting should be done correctly.
(b) Rs.3.28 million renovation cost of the building at the Denipitiya Market owned by the council had not been capitalized under lands and buildings.	Agreed.	Accounting should be done correctly.
(c) The balance of industrial creditors during the year under review was over-accounted by Rs.1.13 million and Rs.42,794 payable to a contractor had not been accounted under creditors.	Agreed.	Accounting should be done correctly.
(d) Provisions had not been made to sundry creditors for various expenses totalling to Rs.359,219 which were payable for the year under review.	Agreed.	Accounting should be done correctly.
(e) The total revenue expenditure incurred during the year under review amounting to Rs.337,685 had been accounted as capital expenditure.	Agreed.	Accounting should be done correctly.

(f)	During the year under review, the key money total consumables stock amounting to Rs.449,999 and total receivables amount of Rs.156,500 had not been accounted for.	Agreed.	Accounting should be done correctly.
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1.6.2 Un-reconciled Control Accounts

Audit Observations	Comments of the Council	Recommendation
There was a difference of Rs.1.25 million between the total balances related to 2 accounting objects shown in the financial statements and the total balances shown in the relevant supporting documents.	Agreed.	Action should be taken to compare and correct the differences in the relevant balances.

1.6.3 Documentary evidences not made available for Audit

Audit Observations	Comments of the Council	Recommendation
Due to the non-submission of the fixed assets register, balance confirmation letters confirming the account balances, and passbooks, 05 accounting items totalling Rs.19.69 million could not be satisfactorily examined.	That, the action will be taken to correct it in 2025.	Evidence supporting the account balances shown in the financial statements should be submitted to the audit.

1.7 Non-Compliance

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

Reference to Laws, Rules and Regulations etc.	Non-Compliance	Comments of the Council	Recommendation
Financial Regulation 104 (4) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Although more than 3 months had passed since the Gully Bowser accident on 28 October 2024, a full report had not been provided by the audit date of 24 February 2025.	Agreed.	Provisions of the Financial Regulation 104(4) should be followed.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Council for the year ended 31 December of the year under review was Rs.179.71 million, and correspondingly, the revenue exceeding the recurrent expenditure of the previous year was Rs.80 million.

2.2 Revenue Administration

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

According to the information submitted by the Secretary, the following is the information on estimated income, billed income, collected income and arrears of income for the year under review and the previous year.

		2024				2023			
	Source of Revenue	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Assessment and Taxes	33,372,000	48,115,882	47,296,190	33,025,554	34,310,300	30,792,291	29,586,156	32,205,862
(ii)	Rent	4,888,000	3,295,877	3,709,075	1,828,638	4,480,000	3,760,982	3,229,068	2,241,836
(iii)	License fee	11,560,500	14,283,903	14,921,509	471,500	12,110,500	9,982,600	9,749,685	1,109,106
(iv)	Other Revenue	19,166,500	29,023,734	29,416,354	3,196,734	34,177,100	19,123,762	19,687,111	3,589,354
		68,987,000	94,719,396	95,343,128	38,522,426	85,077,900	63,659,635	62,252,020	39,146,158

2.2.2 Performance in collecting Revenue

The following are observations regarding the revenue collection performance of the council.

Audit Observations	Comments of the Council	Recommendation
(a) Assessment		
There was an outstanding assessment balance of Rs.32.94 million as at the end of the year under review.	Agreed.	A system should be developed to promptly recover the arrears of revenue.
(b) Rent		
(i) Arrears revenue of Rs.1.09 million was to be collected from 38 shops owned by the council.	Agreed.	A system should be developed to promptly recover the arrears of revenue.
(ii) As per paragraph 05 of the Circular No.SPA/LGC/2010/01 dated 27 December 2010 of the Southern Province, Local Government Commissioner, the lease agreements of 07 shops belonging to 04 shopping complexes owned by the Council had not been updated for a period ranging between 3 and 10 years.	Agreed.	Action should be taken in accordance with the provisions of the circular and appropriate action should be taken against officers who fail to act accordingly.
(iii) As per paragraph 04 of the Circular No.SPA/LGC/2010/01 dated 27 December 2010 of the Southern Province, Commissioner of Local Government, the total key money of Rs.156,500 to be collected for the lease of 2 shops in 2 shopping complexes owned by the Council had not been collected at the end of the year under review, and the period of non-collection was between 4 and 17 years.	Agreed.	The key money to be charged at the time of shops rent should be recovered promptly.
(iv) Receivable amount of Rs.378,182 from the lease of 4 properties owned by the Council had not been recovered during the year under review.	Agreed.	Arrears of revenue should be recovered promptly.

(c) **License fees**

The environmental protection license fees of Rs.247,000, the notice board fees of Rs.579,300 and the business tax and industrial tax of Rs.391,000 to be received to the council had not been collected.

Agreed.

Arrears of revenue should be recovered promptly.

(d) **Other Income**

Action had not been taken to recover court fines amounting to Rs.10.24 million and stamp duty amounting to Rs.260.03 million that were due from the Chief Secretary of the Provincial Council and other authorities as at the end of the year under review.

Agreed.

Arrears of revenue should be recovered promptly.

3. Operational Review

3.1 Identified Losses

Audit Observations	Comments of the Council	Recommendation
(a) Due to the fact that the council did not obtain revenue licenses for a period of 16 years after receiving the Gully Bowser, which was received as a donation in the year 2008, an amount of Rs.164,080 was paid as arrears revenue license fees and fines when obtaining revenue licenses in the year under review.	Agreed.	Investigations should be conducted into arrears revenue license fees and fines paid from council funds and charged from the responsible parties.
(b) Rs.395,569 of street light maintenance fees in the years 2021 and 2022, which were not reimbursed due to the lack of an agreement with the Electricity Board had been accounted as income receivable, and since this amount was an identified loss, action had not been taken to examine it and recover it from the responsible officers.	Agreed.	Investigations should be conducted and action should be taken to recover from the responsible officers.

3.2 Management Inefficiencies

Audit Observations	Comments of the Council	Recommendation
As per the letter No.01/11/03/11 dated 09 July 2024 of the Commissioner of Local Government, Southern Province, the work of creating the road inventory in the council area of authority had not been completed.	Agreed.	The work of creating a road inventory in the council area of authority should be completed promptly.

3.3 Assets Management

Audit Observations	Comments of the Council	Recommendation
Action had not been taken to acquire the legal ownership of 40 lands and a Gully Browser occupied by the council by the end of the year under review.	That will be corrected in the future.	Action should be taken to acquire legal ownership.

3.4 Human Resource Management

Audit Observations	Comments of the Council	Recommendation
According to the staff plan, 41 positions remained surplus in the Council at the end of the year under review.	That the actions were taken to regularize the positions in accordance with Financial Regulation 71 and approval has not been received to date.	The staff requirements for the council should be reviewed and appropriate action should be taken accordingly.