

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Welikanda Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the statement of Assets and liabilities as at 31 December 2022, Comprehensive Income Statement, Statement of changes in net assets/ equity, statement of cash flow for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 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.

I do not express an opinion on the accompanying financial statements of the Pradeshiya Sabha. Because of the significance of the matters discussed in the basis for disclaimer of opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

Based on the matters described in Paragraph 1.6 of this report I do not express an opinion on the financial statements.

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 Sri Lanka Public Sector Accounting Standard for Local Authorities, 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, enable to preparing annual and periodic financial statements.

1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)

My responsibility is to conduct an audit of the Company's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain

sufficient appropriate audit evidences to provide a basis for an audit opinion on these financial statements.

1.5 Report on Other Legal Requirements

National Audit Act, No. 19 of 2018 includes 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 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	Comments of the Sabha	Recommendation
(a)	The value of 155 galvanized flagpoles which were given to the Sabha by the Divineguma Development Department in the year 2014 amounted to Rs.171,607 had not been accounted for.	It will be accounted fpr.	Assets belonging to the Sabha should be accounted for.
(b)	The value of stock in hand as at 31 December of the year under review had been overstated by Rs.217,089.	Actions will be taken to correct in future.	Stock in hand should be accurately accounted for.
(c)	The value of plumbing equipment stock received from Dimbulagala Pradeshiya Sabha in the year under review for which the current market value was Rs.1,793,300 had not been shown in the accounts.	Since the value of equipment stock has not been given, that cannot be included in the books.	Value of all asset values should be accounted for.

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| (d) | The building which was developed under Pibidemu Polonnaruwa District Development Programme at a cost of Rs.2,000,000 and given to the Sabha in the year 2019 and used as the circuit bungalow of the Pradeshiya Sabha had not been accounted under fixed assets. | It has not been entered into the Register of Fixed Assets because it was not legally taken over by the Sabha as there is a problem with the reconstruction. | -do- |
| (e) | The provisions for audit fees relating to the year under review had not been shown in the financial statements. | Actions have been taken to correct through journal entries. | Provision for audit fees should be made available . |
| (f) | The adjustments in respect of the amount of Rs.1,984,605 recognized by the Revenue Inspector of the Sabha as it had collected in the field but not credited to the Sabha Fund during the year under review and as a result, the effects on the income object had not been made in the financial statements. | Although the relevant receipt books have been requested by the audit, as they were not received back, the amount could not be revealed. | Arrangements should be made to recognize the daily income on the same day. |
| (g) | Actions had not been taken to identify the values of 13 laptop computers, 01 desktop computer and 02 printers which had been received to the Pradeshiya Sabha in the year 2018 and to be accounted for under assets in the financial statements. | Because those were not handed over with the values, it has not been brought to accounts. | The value of the assets should be disclosed in the financial statements. |

(h)	Stamp duty revenue pertaining to the year under review had been understated by Rs.3,103,000 in the accounts.	Actions are being taken to be corrected by journal entries.	Revenue for the year should be properly accounted for.
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1.6.2 Lack of Written Evidence for Audit

Audit Observation	Comments of the Sabha	Recommendation
Five account balances valued at Rs.220,805,047 as at 31 December 31 of the year under review could not be satisfactorily checked due to failure of submission of balance confirmations, schedules and reconciliation reports to audit.	All the documents have been submitted	Schedule, balance confirmations and reconciliation records should be submitted

1.7 Non –compliance

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

Reference to Laws, Rules, Regulations Management Decisions etc.	Non-compliance	Comments of the Sabha	Recommendation
Establishments Code of the Democratic Socialist Republic of Sri Lanka	Section 31 Chapter XXVIII It was observed that a fraud document was prepared indicating that a resolution was passed under 5.2.13 of the Sabha Meeting held on 18 January 2022 as it was	An income receivable to the Sabha Fund has not been deprived.	As the evidences confirming in audit that the documents have been prepared a matter not passed

appropriate to award the tender for the year 2022 by deducting 50 per cent of the contracted amount in the year 2021.

in the Sabha as a matter subsequently passed, an investigation should be conducted on it.

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions are shown below.

2. Financial Review

2.1 Financial Results

As per the financial statements presented, the expenditure exceeding the revenue of the Sabha for the year ended 31 December 2022 was Rs.6,647,841 and revenue that exceeded the expenditure of the preceding year as against that was Rs.9,894,878.

2.2 Financial Control

Audit Observation	Comments of the Sabha	Recommendation
The balance of Council Fund had been in between Rs. 27 Mn. and Rs. 57 Mn. and a portion of the excess money was held in a general savings account at the People's Bank. Nevertheless, the attention of the Sabha had not been drawn on investing the excess money even in short term on the higher interest rates on fixed deposits which prevailed throughout the year under review.	It has been accepted.	Attention should be drawn on investment of excess money (short-term) .

2.3 Revenue Administration

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

As per the details submitted by the Chairman about the estimated income, billed income, collected income and arrears of revenue presented for the year under review and the previous year are as follows.

Source of Revenue	2022				2021			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December
	Rs.	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i) Rates and Taxes	787,400	389,400	389,400	-	1,253,800	556,410	556,410	-
(ii) Rents	8,558,916	4,284,700	2,534,125	5,478,753	6,441,547	7,987,528	4,273,800	3,713,728
(iii) License Fees	488,650	189,282	189,281	774,845	697,650	157,035	157,035	774,645
(iv) Other Income	8,544,000	11,074,183	9,300,000	12,035,401	18,120,000	32,848,155	25,510,004	7,338,151
	18,378,966	15,937,565	12,412,806	18,288,999	26,512,997	41,549,128	30,497,249	11,826,524

2.3.2 Revenue Collection Performance

Audit Observation	Comments of the Sabha	Recommendation
(a) Rates and Taxes		
Out of the estimated garbage tax revenue for the year under review amounted to Rs.438,000 and the opening arrears of Rs.311,300 the revenue collected during the year was Rs.55,150.	Necessary arrangements are being made to recover the money.	Charges should be made as per the collection of Garbage.
(b) Rents		
(i) Out of the revenue to be collected as the estimated shop rental income amounted to Rs.2,331,600 and the opening arrears amounted to Rs.2,696,897 for the year under review totalled to Rs.5,028,497 the revenue collected during the year under review was Rs.544,700 .	Arrangements have been made to collect a part of the arrears of revenue by now.	Actions should be taken to recover the arrears of revenue.
(ii) The arrears of shop rent receivable from 33 shop owners for 8 to 70 months was Rs.2,028,261 as at 01	The Revenue Inspector was unable to collect money based on the situation exists.	-do-

January 2022 and actions had not been taken in respect of that in terms of the agreement.

(c)	Arrears of revenue from lease of assets (tender) remaining from many years amounted to Rs.1,016,831 had not been recovered even by the end of the year under review.	Steps have been taken to recover the money in a systematic manner by now.	Actions should be taken to recover the revenue collected by the Revenue Administrator to the Sabha and to recover the balance of arrears of revenue.
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(d) License Fees

The arrears of trading license fee income remained at the commencement of the year under review amounted to Rs.774,645 had not been recovered even by the end of the year under review.	Arrangements have been made to conduct an investigation by the new Revenue Inspector.	Arrears of revenue should be settled.
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3. Operational Review

3.1 Performing of Tasks Assigned by the Act

The matters observed in respect of executing of functions that should have been performed by the Sabha such as regulation and control, wellbeing of the public, facility and welfare regarding the matters public health, public utility services and public roads under Section 03 of the Pradeshiya Sabha Act are as follows.

Audit Observation	Comments of the Sabha	Recommendation
(a) By-laws	By-laws had not been enacted in relation with 06 main functions, such as sale of drinking water, construction of buildings, roads and avenues, removal	It has been submitted to the sabha and forwarded for approval.
		By-laws should be enacted.

of garbage, entertainment tax, sand transport, for which the By-laws should be enacted under Section 126 of the Pradeshiya Sabha Act.

(b) Solid Waste Management

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| <p>(i) The Welikanda Pradeshiya Sabha had not implemented a formal programme for the management of solid waste generated on a daily basis in the Sabha area and disposing and covering the garbage collected without classification in an open area of about 05 acres of Ethugala belonging to Senapura Division.</p> | <p>As the works on the proposed Nelum Weva Solid Waste Management Centre has already been commenced, Along with that, it has been planned to implement a formal solid waste plan in the future along with that.</p> | <p>A proper Solid Waste Management should be carried out.</p> |
| <p>(ii) Even though a non-biodegradable waste collection yard had been built in Nelumwewa area at a cost of Rs.1,236,921 by the Sabha in the year 2021, the said building had remained in idle throughout the year under review without being used for storing non-biodegradable wastes.</p> | <p>The plans are being made to activate the Non-biodegradable Waste Yard in the future through the proposed Nelumweva Solid Waste Management Project.</p> | <p>A feasibility study should be done in installing the assets.</p> |

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
<p>Nine creditor balances of Rs.1,412,901 have been carrying forward in the financial statements from</p>	<p>Actions will be taken to correct this balance in the future.</p>	<p>Actions should be taken to settle the creditors.</p>

2011 – 2018 without being settled

3.3 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Twelve laptop type computers, one desktop type computer and 02 computer printers which had been received to the Pradeshiya Sabha from a former State Minister in the year 2018, had remained in idle even by 23 February 2023, the date of audit.	Because of failure of hiring a resource person it has been informed that it was not possible to start computer literacy development programmes.	Arrangements should be made for utilization of assets.
(b) Although the Sabha had collected funds of Rs.2,856,456 in the year 2021 from various sources, in order to renovate the Sevanapitiya Multi-Purpose Building into a library and create an e-learning centre in it, the relevant objectives had not been achieved by 12 December 2022 .	Accepted.	The relevant objectives should be achieved.

3.4 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
The approved staff of the Pradeshiya Sabha as at 31 December 2022 was 40 and the duties had been covered by 29 permanent staff and 09 casual employees. There were 11 vacancies in permanent staff.	Although the requests have been made from top management it has been informed that the actions have not been taken so far.	It should be brought to the attention of the respective parties.