

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of financial statements of the Welikanda Pradeshiya Sabha for the year ended 31 December 2023 comprising the notes to the financial statements, statement of assets and liabilities, statement of net assets/ changes in equity, cash flow statement as at 31 December 2023 and other explanatory information of significant accounting policies 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 Subsection 172(1) of the Pradeshiya Sabhas Act, No. 15 of 1987 and provisions of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Welikanda Pradeshiya Sabha as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

**1.2 Basis for Qualified Opinion**

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 Sri Lanka Public Sector Accounting Standards for Local Authorities 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 Sub-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 of the Sabha.

**1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the 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 skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 Sabha's internal control.
- Evaluate the 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.
- 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 Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Institution;
- Whether the Sabha has performed according to its powers, functions and duties; and
- Whether the resources of the Sabha had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## .15 **Report on Other Legal Requirements**

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- (a) The financial statements presented by the Pradeshiya Sabha are 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 observation on the preparation of financial statements

### 1.6.1 Accounting Deficiencies

All accounting deficiencies can be stated under this heading. Eg: under stating, over stating, omission etc.

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) As the value of building depreciation amounting to Rs.14,464,174 relevant to the year under review had been shown as Rs.9,812,308 when bringing to accounts, the surplus in the year under review and the net book value of buildings had been over stated by Rs.4,651,866.	It was brought to accounts correctly in the year 2024.	Should be brought to accounts accurately.
(b) Even though the depreciation value of computers and accessories relevant to the year under review mounted to Rs.761,998, it had been shown in the financial statements as Rs.509,731 under stating by Rs.252,267.	It has been corrected and brought to accounts.	Should be brought to accounts accurately.
(c) The value of 03 buildings which the constructions was completed in the years 2019/2020 under the district development programme “Pibidemu Polonnaruwa” had not been brought to accounts under fixed assets.	Necessary actions has been taken to obtain the values.	The values of the assets should be identified and brought to accounts.
(d) Industry debtors balance had been over stated by Rs.920,520.	Action has been taken to rectify.	Action should be taken to settle.

### 1.6.2 Un reconciled Control Accounts or Reports

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
There was an un reconciliation of Rs.608,992 of the value of 02 items of assets presented as at 31 December in the year under review, according to the relevant financial statements and subsidiary registers.	Action will be taken to rectify	Account balance should be reconciled accurately.

1.6.3 Lack of Evidence for Audit

Subject	Amount Rs.	Evidence not made available for audit	Comments of the Sabha	Recommendation
Industry debtors balance	44,802,479	Confirmation of balances	Action will be taken to submit those documents in the future	Conformation of balances and schedules should be submitted accurately
Industry creditors balance	45,379,043	Reconciliation of debtors and creditors		
Revenue of sand toll	83,100	Revenue documents		
Deposits payable back	41,500	Schedule, updated deposits register	As the deposited money is more than two years, action has been taken to bring it to the revenue.	Schedules should be forwarded accurately

1.7 Non-compliances

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

Instances of non-compliances with Laws, Rules, Regulations and Management Decisions are given below.

Reference to laws, rules and regulations	Non-compliance	Comments of the Council	Recommendation
(a) Acts (i) Pradeshiya Sabha Act, No.15 of 1987	Section 219(I) When 07 trade stalls in the Welikanda shopping complex belonging to the Pradeshiya Sabha and 06 trade stalls in the upper floor of the bus stand giving on lease in the year under review, 06 trade stalls had been given for the parties connected with Sabha.	Asset has been given by following the prescribed tender procedure and the relevant rents are being recovered properly by now.	Action should be taken in accordance with laws, rules and regulations.
(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka.  Section 31 of Chapter XXIV.	Even though the former secretary of the Sabha had prepared forged documents in relation to weekly fair mentioning it as a proposal	A preliminary investigation has been initiated by the	Action should be taken in accordance with laws, rules and regulations.

agreed in the Sabha and Department of forwarded to the audit. However, Provincial Councils. disciplinary actions in relation to the same misconduct had not been taken.

- (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. FR 103(I)
- Reporting to the police, recording in the register of losses and damages relevant to the loss, taking actions separately against each officer in relation to the forge occurred by the revenue officer which was revealed in October 2022 had not been carried out.
- A preliminary investigation has been initiated by the Department of Provincial Councils and action will be taken accordingly after receiving of the investigation report.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 17,020,208 as at 31 December 2023 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.6,647,841.

Note: As information on court fine revenue amounting to Rs.11,018,800 had been identified after the date of audit, it is not included in the revenue.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Outstanding Revenue

According to the information presented, the information on estimated revenue, billed revenue, collected revenue and revenue in arrears relevant to the year under review and the preceding year are given below.

Source of Revenue	2022				2021			
	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
Rates and Taxes	1,335,500	1,453,305	1,340,835	130,720	787,400	389,400	389,400	-
Rents	6,298,283	6,081,568	6,592,378	4,061,392	8,558,916	4,284,700	2,534,125	5,478,753
License fees	579,750	151,718	140,348	786,015	488,650	189,282	189,281	774,845
Other Income	11,500,000	5,847,550		17,882,951	8,544,000	11,074,183	9,300,000	12,035,401
<b>Total</b>	<b>19,713,533</b>	<b>13,534,141</b>	<b>8,073,561</b>	<b>22,861,078</b>	<b>18,378,966</b>	<b>15,937,565</b>	<b>12,415,806</b>	<b>18,288,999</b>

## 2.2.2 Performance on Collecting Revenue

Observations regarding the performance in collecting revenue of the Sabha are given below

	<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a)	<b>Rents</b>		
(i)	The estimated shop rent revenue for the year under review was Rs. 2,109,948 and the initial deficit of Rs. 3,334,472 was expected to be collected at Rs. 5,444,420. The revenue collected in the year under review was Rs. 1,519,029 or 28 percent.	Action will be taken to settle.	Action should be taken to settle
(ii)	Even though the lessor party has a right to cancel the lease agreement and remove the lessee from the lease property according to the agreement relevant to given on lease the trade stalls, action in terms of the agreement had not been carried out relating to lease rents in arrears amounting to Rs.3,227,687 relevant to 53 trade stalls.	Action will be taken to settle.	Action should be taken to settle
(iii)	There was an arrears amounting to Rs.923,654 existed relevant to the properties which are given on lease on annual tenders, although the same arrears relevant to the years 2021 and 2022 , action had not been taken to settle.	Action will be taken to settle	Action should be taken to settle
(b)	<b>License Fees</b>		
	Trade license fees revenue in arrears amounting to Rs.916,735 was existed at the year ended date of the year under review.	License fees in arrears remained out standing from many years and action is being taken to obtain approval from the Governor to write off the same arrears .	Action should be taken to settle revenue in arrears.

(c) **Other Revenue**

The court fines as at December 31, 2023 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs. 13,706,950 and the stamp duty was Rs. 4,176,000.

It has been informed that action will be taken to bring to account in due course when the accurate information received on that matter

Action should be taken to recover the accurate revenue.

3. **Operating Review**

3.1 **Implementation of the duties enacted by the Act.**

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act, being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

	<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a)	<b>By-laws</b>		
(i)	By-laws had not been enacted in relation to 06 main duties such as construction of buildings, roads and streets , disposal of garbage, entertainment taxes , transporting sands which should be enacted by – laws under Section 126 of the Pradeshiya Sabha Act.	Action will be taken to prepare by-laws in the future.	Action should be taken to enact by-laws.
(ii)	Even though the expected expenditure for the 17 main activities included in the Annual Action Plan prepared by the Sabha was amounted to Rs.116,100,000, the amount of provisions allocated by the annual budget amounted to Rs.2,000,000. Therefore ,adequate provisions had not been provided for the activities of the action plan.	Action will be taken to correct it in the next year.	Provisions should be provided by the budget for the fulfillment of the activities included in the action plan.
(iii)	Even though 17 activities had been mentioned in the annual action plan by the Sabha, it had been failed to implement any of the activities during the year under review.	Action will be taken to fulfill the activities relevant to the action plan in the next year.	Activities should be planned accurately.

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| (iv) | Even though 04 work-shops had been planned for human resource development in the annual action plan by the Sabha, even one workshop has not been implemented at the end of the year under review. | Relevant work-shop activities are being planned in the current year. | Planned activities should be implemented. |
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(b) **Solid Waste Management**

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| (i)  | A proper procedure had not been implemented by the Sabha for the management of wastes which are generated daily in the Sabha area, dumping the wastes collected without categorization into an open area of about 05 acres in Athugala belonging to Senapura division and covering is being carried out further more. | As money allocated by the Department of Provincial Councils and court fine charges for the construction of a store for waste management, action will be taken to collect those un degradable waste in the same store and willing to sale and degradable waste also will be sale by making compost fertilizer. | Solid was management should be carried out in a proper manner. |
| (ii) | Undegradable waste store which has been constructed by spending a sum of Rs.1,236,921 in Nelum Wewa area in the year 2021,has been remained idle continuously.  | The same building has been constructed as per a proposal of then public agents. However, the daily transport cost for that place is high, use of the building is problematic.   | Feasibility study should be done in establishing asssets.      |

3.2 **Management Inefficiencies**

Audit Observation	Comment of the Sabha	Recommendation
A debtor balance of Rs.254,489 has not been settled from many years and being brought forwarded in financial statements.	Actin will be taken to settle the debtor balance in the current year.	Accounts should be presented accurately.



### 3.3 Idle and Underutilized Property, Plant and Equipment

Audit Observation	Comment of the Sabha	Recommendation
(a) Even though construction of 02 libraries which were constructed under Rural Electric Library project implemented in Polonnaruwa district in the year 2021 by the Ministry of Local Authorities has been completed, the same libraries remained idle due to the unavailability of required human resources for the functioning of those libraries.	Action has been taken to obtain the approval of the Hon Governor to recruit required staff for the opening as a library and action is being taken to provide it as a book shop as the rural electric library is situated near the school in front of the land of Nelum Wewa school.	Action should be taken to utilize assets.
(b) Four trade stalls in the new shopping complex Welikanda, out of 07 trade stalls which were constructed under “Pibidemu Polonnaruwa” were remained idle without fulfilling the relevant objectives.	Three trade stalls in the new shopping complex Welikandahave been opened and action will be taken to open the remaining 04 trade stalls in due course.	Action should be taken to utilize assets.
(c) Four fish stalls in Welikanda weekly fair which were constructed by spending an expenditure amounting to Rs.1,307,880 has been remained idle from the year 2017 without using.	As fabric sale stalls are carried out in front the fish stalls, the fish stalls are not functioning. Action will be taken to consider the request made by the businessmen for other business instead of two fish stalls and provide those stalls.	Action should be taken to utilize assets.
(d) The tourist bungalow belonging to the Pradeshiya Sabha handed over to the Sabha which was developed by spending Rs.2,000,000 under the district development programme, Pibidemu Polonnaruwa, in the year 2019, has been remained idle up to the date of audit.	It has been informed that action will be taken to given it on lease basis to an institution after receiving of valuation reports.	Action should be taken to utilize assets. Action should be taken to utilize assets.

### 3.4 Deficiencies in Contract Administration

Audit Observation	Comment of the Sabha	Recommendation
Work of 13 projects valued at Rs.33,247,820 from the projects implemented in the years 2021/2022 according to the budget proposals of the year 2021 of the Welikanda Pradeshiya Sabha, had not been completed.	It has been informed that plans has been made to request provisions by giving priority to the same projects in providing proposals for the annual development plan in the year 2024.	Action should be taken to complete the project works.

**3.5 Human Resource Management  
Audit Observation**

**Comment of the Sabha**

**Recommendation**

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| (a) | There were 13 vacancies in the cadre according to the cadre information of approved and actual cadre as at 31 December 2023.  | Action has been taken to aware higher positions.  | Action should be taken to fill the vacancies. |
| (b) | Even though, transfers of the staff should be implemented once in 05 years according to the public service transfers, it was observed that 29 officers of the Sabha are served in the period of Sabha more than 05 years. | Even though, action has been taken to aware higher positions, no any solution provided up to now. | Transfers should be implemented.              |

**4. Accountability and Good Governance**

**4.1 Conducting Audit and Management Committees.**

**Audit Observation**

**Comment of the Sabha**

**Recommendation**

According to the Audit Guideline Circular No.NCP/LG/ACC02/01 and dated 02-01-2023, audit and management committee meetings should be conducted once in every quarter. However, only 01 audit and management committee meeting had been conducted by the Pradeshiya Sabha in the year under review.

Audit and management committee meetings are being conducted at present.

Audit and management committee meetings should be conducted in a proper manner.