

Weligama Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Weligama Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of financial position as at 31 December 2023, 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 in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018, Sub-Section 172 (1) of the 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 Weligama Pradeshiya Sabha as at 31 December 2023, 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, 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 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 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) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The total amount of Contract debtors receivable of Rs.418,443, Stamp duty receivable of Rs.46,666,669 and the value of a trailer of Rs.600,000 had been under-accounted for.	That will be corrected in the future.	Action should be taken to properly accounted for
(b) The amount of Contract creditors to be paid had been Rs.149,365 over provisioned and also provision had not been made for miscellaneous expenses totalling Rs.950,744.	That will be corrected in the future	Action should be taken to properly accounted for.
(c) Rs.182,266 of employee loan which had been paid off and over recovered as employee loan receivable and A settled Constructional advance balance of Rs.266,247 had been also accounted as receivable	That will be corrected in the future	Action should be taken to properly accounted for.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
There was a difference of Rs.493,416 between the balances related to 05 accounting subjects shown in the financial statements and the balances shown in the related documents/sub-documents..	Agreed.	The differences in the respective balances should be compared and the accounts should correct.

1.6.3 Documentary Evidences not made available for Audit

Audit Observations	Comments of the Sabha	Recommendation
04 account subjects amounting to a total of Rs. 12,093,509 could not be examined Satisfactorily due to the non-submission of required information.	That it will be corrected in the future.	Evidence must be submitted to confirm the account balances shown in the financial statements.

1.7 Non- Compliances

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a) Pradeshiya Sabha (Finance and Administration) Rules, 1988 Rule 211	23 GI pipes worth Rs.375,800 were purchased for installation of fluorescent lamps with solar panels. Had not been included in the stock register.	Agreed.	Action should be taken according to the Rule.
(b) No. 15 of 1987 In the Pradeshiya Sabha Act Section 132 (k), (2(1)(a) of the Provincial Council Act No. 12 of 1987 Subsidiary Provisions Act)	Prior written approval had not obtained as per the referenced regulations for both Rs.10,060,000 for housing assistance to low-income earners that had been spent from the council fund and Rs.744,653 for Sipedora online education program.	That it has been forwarded for approval and that approval has not yet been received.	Action should be taken according to the Act.

(c) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka

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| i | F.R 104 (4) | The full reports related to the accident of vehicle No. ZA-4971 on 27 September 2019 had not been submitted. | Agreed. | Action should be taken according to the Finance Regulation. |
| ii | F.R 272(1) (2) | 11 vouchers worth Rs.937,248 paid in 2021 and last year were not submitted for audit. | Agreed. | Action should be taken according to the Finance Regulation. |
| iii | F.R 1642 | There was no complaint to the police regarding the accident involving 5 vehicles and machinery belonging to the council. | Agreed. | Action should be taken according to the Finance Regulation. |

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 of year under review amounted to Rs.79,998,357 as compared with revenue over recurrent expenditure amounted to Rs.89,001,946 in the preceding year.

2.2 Revenue Administration

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

		2023				2022			
Source of Revenue	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	
		(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	
i	Rates and Taxes	34,310,300	30,792,291	29,586,156	32,205,862	31,735,300	22,693,922	16,944,134	30,999,727
ii	Rent	4,480,000	3,760,982	3,229,068	2,241,836	6,370,000	2,896,359	3,483,791	1,709,922
iii	License Fees	12,110,500	9,982,600	9,749,685	1,109,106	11,960,100	2,570,341	1,891,059	876,191
iv	Other revenue	34,177,100	19,123,762	19,687,111	3,589,354	30,918,100	135,864,078	136,205,521	4,152,703
Total		85,077,900	63,659,635	62,252,020	39,146,158	80,983,500	164,024,700	158,524,505	37,738,543

2.2.2 Performance in Revenue Collection

Audit Observation

Comments of the Sabha

Recommendation

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| (a) | At the beginning of the year under review, the outstanding assessment tax balance was Rs.30,046,506 and with billing related to 22848 units was Rs.21,510,965 and Rs.51,557,471 should have been charged. Further due to the total receipts during the year being Rs.19,494,673, there was an outstanding balance of Rs.32,062,798 at the end of the year. | Agreed. | Arrears should be collected as soon possible. |
| (b) | The council had 57 rent-paying shops and 37 of them had to collect arrears of Rs.1,315,331. In that, there was a deficit of more than Rs.100,000 related to the 04 shops. | Agreed. | Arrears should be collected as soon possible. |
| (c) | At the beginning of the year under review, the license fee deficit was Rs.876,191 and Billings for the year were Rs.9,982,600 with Rs.10,858,791 due. Total receipts during the year were Rs.9,749,685, and at | That Rs.932,656 have been recovered from the arrears by 30th April 2024. | Arrears should be collected as soon possible. |

the end of the year there was a deficit of Rs.1,109,106.

- (d) As at December 31 of the year under review, Rs.5,366,648 for court fines and Rs.141,606,267 for stamp duty should have been received from the Chief Secretary of the Provincial Council and other authorities. Agreed. Arrears should be collected as soon possible.

3. Operational Review

3.1 Uneconomic

Audit Transactions Observation	Comments of the Sabha	Recommendation
(a) In the year 2014, an expenditure of Rs.1,049,844 had incurred for the preparation of the floor of the day and night volleyball stadium construction project in the local council office area. Next to the underground constructions that have been abandoned in the middle of the construction, A company had built a telephone transmission tower without a development licences.	That will be corrected.	Action should be taken according to the gazette notification
(b) During the field audit inspection, it was observed that a contractor had been informally selected and spent Rs.396,049 for the construction of a playground on the part of the land where Mirissa Rural Hospital is located.	Agreed.	The properties owned by the council should be used effectively.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) An advance amount of Rs.162,500 had been paid to an informally selected organization for the creation of a website to provide public service through online system, and As on 07 th May 2024, the date of audit, the website had not yet been created and	That the investigations have been completed and that corrections will be made in the future.	Action should be done according to the Act.

investigations into irregular payments had not been completed till date.

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| (b) | According to F.R. 104, for cab No. PF-7423 which was an accident during the year under review, Investigations were not carried out and reimbursement for damages had not taken | F.R. 104(4) that the inquiry has been completed. | Action should be done according to the finance Regulation. |
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3.3 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) During the period from 2021 to April 30 of the year under review, Rs.4,008,721 was spent on various activities during the implementation of three projects. there were deficiencies such as the specifications were not prepared while obtaining various services, Total cost estimates had not been prepared, formal procurement process had not followed, Not contracting to supply goods and services and also failure to obtain certificates for goods and services were observed.	Those future procurement activities are carried out correctly.	Action should be done according to the Procurement guidelines.
(b) Last year, a land was purchased for the value of Rs. 16,800,000 in the name of the fake owner, for the construction of a refinery treatment plant from dirty water discard by septic tanks. For that purpose, Rs.785,100 was spent as lawyer and stamp fees from the council fund, but the land was not used for any purpose due to insufficient land for the project.	It has been confirmed by the National Water Supply and Drainage Board that the existing land area is technically suitable for the construction of refinery Treatment Plant from the septic tanks.	Action should be done for used Council property an effectively.
(c) In accordance with Gazette Notice No. 2235/54 dated July 08, 2021, which includes the Planning and Development Orders/Regulations of the Urban Development Authority, without obtaining a development permit at Talaramba area, the swimming pool of 69.76	That will be corrected	Action should be done according to the gazette notification.

square meters and the boundary of 57.62 meters also fees of Rs.98,570 were charged and no arrangements had been made to regularize or remove them.

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| (d) | According to the provisions of Section 154(1) of the Pradeshiya Sabha Act No. 15 of 1987, Although Rs.25,114,874 was charged as 1 per cent fee on the assessed sale price of 49 auctioned lands, The 1 percent fee on the difference between the assessed and actual sales values had not been collected. | That the difference will be recovered in the future. | Action should be done according to the Act. |
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3.4 Transactions of Contentious Nature

Audit Observation	Comments of the Sabha	Recommendation
(a) According to Section 27 of the Government Land Ordinance, the land where the car park for the Warakapitiya crematorium is owned by the council, While the council has approved the transfer, An amount of Rs.4,000,000 had been paid from the council fund to a third party by submitting false information and obtaining a valuation report.	That the transfer order has not been received.	Action should be taken according to Approval.
(b) The land of 01 acres, 01 roods, 2.80 perches of Kaluvara Badda land assigned to the council for public works in the year 2013, by relatives of an Ex-Chairman and him had been exchanged with Garanduva Kadalana private land of 01 acres and 2 roods in the domain of Kamburugamuwa West Village which was leased for the period from 01 st December 2012 to 30 November 2013. Also the approval was given falsely for dividing the exchanged Kaluvara Badda land, and parts No. 4 and 5 of that land were purchased for public works at a cost of Rs. 3,850,000 again.	That the land had not been surveyed yet.	Land should be purchased in such a way as to minimize the cost.
(c) Whereas the term of office of the members expired on March 19 of the year under review, Due to the payment of	That they are working to collect overpaid money.	Action should be taken to made Payment correctly.

Rs.600,150 member allowances to 40 members in March of the year under review. And the overpaid amount was Rs.238,065 also action had not been taken to recover the overpaid amount.

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| (d) | The bill related to the development of the Polwatta and gedarawatta roads, which had been completed from the council fund last year, And it had been paid Rs.977,877 to the contractor without certification by the technical officer and in contrary of the provisions of Finance Regulation 237(a)(1) | Agreed | Action should be taken to according to the Finance Regulation. |
| (e) | Contrary of the provisions of the Pradeshiya Sabha (Finance and Administration) Rules, 1988 and the Procurement Guidelines Code, 2006, due to the leakage of the Bowser tank which was bought last year for Rs.1,800,000, and another used bowser tank had been purchased from the same company for Rs. 3,200,000 and the previously purchased tank was paid and the paint cost of Rs. 2,069,500 was deducted and Rs.1,130,500 had been paid. It was also observed that approval had not been obtained from the Petroleum Corporation to fill this bowser tank with fuel and also observed that, based on the prevailing market prices, an original fuel bowser tank could have been purchased for Rs.2,270,855 including gross transportation costs. | That this purchase was made in the face of the economic crisis and the fuel crisis. | Action should be taken to according to the Rules and procurement guidelines. |
| (f) | Last year, when the council purchased 100 perches from the land bearing Plan No. 35/215 next to the Kamburugamuwa Garbage Project, and the above land in the name of a former chairman had been sold to his daughter's husband. Also the council had bought the land from him for Rs.9,400,000 before buying this land by submitting false information to the valuation department and obtaining the value of the land valued at Rs.9,400,000. In the previous and reviewed year, Rs.424,000 was paid from the council fund for stamp duty and legal fees for the purchase of the land. | That the survey work is to be started on this land and it is expected to be used for compost yard work using the fence boundaries. | Land should be purchased in such a way as to minimize the cost. |

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| (g) | In relation to construction of defective and unapproved buildings, 58 development permit files and 134 files related to land subdivisions were stored by a former chairman in his office to prevent further action. Further 1 out of 3 copies of building plans included in the files were removed from the file and the building plans were approved using fake seal. | That will be corrected in the future. | A proper procedure should be followed and action should be taken as soon as possible. |
| (h) | Three land subdivisions and 3 plot plans which were not submitted to the council planning committee and were not approved by the planning committee due to deficiencies, a former chairman of the local council had been falsely approved by used a fake seal instead of the official seal of approval of the plans containing the decisions of the planning committee and False planning committee decisions had been entered | That will be corrected in the future. | A proper procedure should be followed and action should be taken as soon as possible. |
| (i) | 5 building plans which had been rejected by the Planning Committee for approval of building plans for various reasons in local and urban jurisdiction, It was observed during the field sample audit that a former chairman had approved the planning committee decisions using a fake seal without number. | That will be corrected in the future. | A proper procedure should be followed and action should be taken as soon as possible. |

3.5 Procurement Management

Audit Observation	Comments of the Sabha	Recommendation
Contrary of the provisions of 5:4:4(i) of the Procurement Guidelines Code, 2006, without taking security and 37 contracts awarded to 14 registered contractors for a contract value of Rs.63,931,823 during the period from the year 2021 to August 2023. And also amount of Rs.13,173,881 had been paid as an advance of 20 percent of the contract value.	Agreed.	Action should be taken to according to the Rules and procurement guidelines.

3.6 Defects in Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
(a) The amount of Rs. 26,884 for not using the rate for spread and thickening medium level soil and according to the technical officer's report, although the amount of soil filed was 143.7 cubic meters, due to payment for 204.75 cubic meters, as Rs.82,417 , therefore an amount of Rs.109,301 had been overpaid to the contractor .	Agreed.	Appropriate rates should be used.
(b) Rs. 891,318 had been paid as rent for a JCB machine for cutting drains to provide water supply to 9 areas in the council area where there is no drinking water supply. The contractor was overpaid Rs.309,705 for 824.67 cubic meters at Rs.375.55 per cubic meter due to not using the prescribed rate.	That the correct rate is used.	Appropriate rates should be used.
(c) For the construction of the side wall of the Warakapitiya Talgahahena by-road on the basis of the council funds allocation in the year 2022, Also Rs.1,104,515 had been paid to the contractor and although Rs.53,508 had been paid for the construction of 12 Guard Stones on the side wall under Work Subject No. 6, the Guard Stones had not been constructed during the field inspection on 27 the October 2023.	Agreed.	Payments should be made according to the work done.
(d) For development of Kudagalhena Road near Janahita Bakery, Rs.1,632,965 had been spent in the year under review. Here an amount of Rs.90,835 had been overpaid to the contractor. As works of Rs.41,485 for the road level was not levelled, Rs.25,448 without laying ABC as required and Rs.23,902 due to non-concrete curb of the prescribed thickness.	That payment is made after deducting the deposit amount.	Payments should be made according to the work done.

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| (e) | Rs.12,074,906 had been spent for the development of the road and side wall from near Denipitiya East Buddha Temple and Rs.11,526 to the contractor to prepare the shapes of the roadsides connected to the sides and banks, and Rs.28,680 for not preparing the curb to the required thickness. Due to this an amount of Rs.40,206 was overpaid to the contractor. | That payment is made after deducting the deposit amount. | Payments should be made according to the work done. |
| (f) | Although Rs. 54,156 was paid for paving ABC under work subject No. 4 during the development of Kahambiliaduwa road in Ibbawala on the basis of council funding last year. But In the sample field audits, ABC was replaced with stretching. Accordingly, Rs.54,156 had been paid to the contractor for the work not done. | | |

3.7 Human Resources Management

Audit Observation

At the end of the year under review, the debt balance amounting to Rs.1,335,806 had not recovered from 17 officers who were transferred, left service, retired and died.

Comments of the Sabha

That will be collected in the future.

Recommendation

Arrears loan balances should be collected as soon as possible.