

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Warakapola Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the comprehensive income statement, cash flow statement, statement of changes in equity, significant accounting policies and the summary of other explanatory 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 the sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and 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, because of the significance of the matters described in paragraph 1.6 of this report, the financial statements do not give a true and fair view of the financial position of the Warakapola Pradeshiya Sabha as at 31 December 2023 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report in respect of the financial statements.

My opinion is qualified 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 the 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.

Those charged with governance are responsible for overseeing the financial reporting process of the Pradeshiya Sabha. 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 its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

1.4 Scope of Audit (Auditor's Responsibility in Auditing Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 a 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 asses the risks of material misstatements in financial statements whether due to fraud or error 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 an 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 procedure 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 discourses, 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:

The scope of audit has also been widened to examine the following as far as possible and whenever necessary.

- 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 the Pradeshiya Sabha 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements

- (a) As per requirement mentioned in Section 6(1) (d) (iii) of the National Audit Act No. 19 of 2018, the financial statement of the Pradeshiya Sabha is corresponded with financial statements of the previous year
- (b) The recommendations made by me during the previous year are included in the financial statements as requirement by Section 6 (i) (d) (iv) of the National Audit Act No. 19 of 2018 except observations (e) and (f) in paragraph 1.6.1 of this report.

1.6 Audit Observations on Preparation of Financial Statements

1.6.1 Accounting deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The land and the building where the Pradeshiya Sabha was located had been accounted for more than Rs.100,000.	It will be corrected using a journal entry.	Actions should be taken to correct accounts.
(b) Capital construction of office building amounting to Rs.245,550 had not been capitalized.	- -Do-	- -Do -
(c) The entertainment tax revenue of Rs.372,500 had been retained as general deposits.	After the Governor's decision to reduce the entertainment tax, it will be taken into the revenue.	-Do -

1.6.2 Unreconciled control accounts

Audit Observation	Comments of the Council	Recommendation
(a) There was a difference of Rs. 9,605,066 between the balances of 04 accounting subjects according to the financial statements and according to the schedules.	Actions are taken to correct the difference.	Actions should be taken to correct accounts.
(b) There was a difference of Rs.708,944 between the balances according to the financial statements of 04 accounting subjects, according to the reports of board of survey.	Actions are taken correct the difference using journal notes.	-Do-

1.6.3 Absence of written evidence for audit

Audit Observation	Comments of the Council	Recommendation
The documents and schedules had not been submitted for 07 accounting subjects which was Rs. 172,388,657, the total at the end of the year under review.	Actions are taken to prepare the fixed assets documents.	Actions should be taken to submit the fixed asset documents and schedules.

1.6.4 Transactions without authority

Description of unauthorized transactions	Comments of the Council	Recommendation
(a) Travel expenses of Rs.723,200 had been paid to the former chairman and two drivers from the year 2018 to the year 2023 without any confirmation of the need for the travel.	Since the need of the Chairman' duty travelling is not mentioned; only the place travelled will be recorded in the travel logbook.	Actions should be taken make the Payment on sufficient written evidence.
(b) During the period of January 2020 to March 2023, the committee meetings attended by the former chairman had received fuel of Rs. 66,132 from the council fund for running the cab 4,300 kilometers for 37 days. The running notes indicated that he was out of office for the entire duty period on 37 days of the committee meeting.	Actions are taken to correct the mistake of omission in recording in the driving record book, separating the occasions when the car is in the office and the duty trips.	- Do -

1.7 Non-compliance

Non-compliance with laws, rules, regulations and management decisions

Reference to laws, rules, regulation etc.	Non-compliance	Comments of the Council	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----			
(i) Financial Regulation 371	Although the sub imprests should be settled on 31 December, 19 sub imprest amounting to Rs.469,631 had not been settled by the end of the year under review. In that category, there were 03 unsettled sub imprests of	Actions have been taken to settle by now	Actions should be taken to act according to the financial regulations.

Rs. 72,845 related to the years 2021 and 2022.

- (ii) **Financial Regulations** 571 103 deposits of Rs. 1,394,176 that have passed 02 years had not been settled. Arrangements have been made to take 46 deposits as income, retain further 4 deposits of Rs.119,500, identify 04 deposits as document errors and correct and other contractual deposits will be released or offset at the end of the year. Actions should be taken to act according to the Financial regulations.
- (b) **Circulars**
- (i) Paragraph 13 of Circular No. 03/2010 of the Local Government Reforms Circulars. No action had not been taken against 09 unauthorized constructions. Actions are taken to follow up and take further steps. Actions should be taken to act as per the circulars.
- (ii) Planning Circular No. 08 issued by the Urban Development Authority under No. 05/01/119 dated 30 September 1987 and Planning Circular No. 14 issued under No. 05/01/150 dated 16 March 1993. Although a joint bank account should be opened in the name of the local Authority and the Urban Development Authority, due to the fact that this had not been done so, a sum of Rs.500,000 had been retained under the general deposits as the service fees charged for the construction of a public car park on 02 occasions during the year under review. Arrangements will be made to credit the money retained in the general deposit account to the respective account after the relevant account is opened. Actions should be taken to act as per the circulars.
- (c) **Rules of Pradeshiya Sabhas 1988 (Finance and Administration)**
-
- (i) **Section 204** Arrangements should be made to recover the deficient value of the goods from the concerned officer and to document the excess in the books. However, there was a shortage of 325 units of goods worth Rs.117,160 and a surplus of 539 units worth Rs.1,567,430 by August 2023, Actions have been taken to document the excess goods and recover the deficient goods from the concerned persons. Actions should be taken to act as per local council rules.

- (ii) **Rule 178 (2) (2) (a)** A tender had been executed without sufficient provision and then in 02 cases the provision of Rs.3, 037,225 had been transferred from other objects. It was 76 percent of the total net allocation for that budget. According to section 9(3) of the Pradeshiya Sabhas Act No. 15 of 1987, the Secretary of the Council has the power to transfer the object. Actions should be taken to act as per the Pradeshiya Sabha rules.

2. Financial Review

2.1 Financial Results

According to the submitted financial statements, the income exceeding the recurrent expenditure of the council for the year ended 31 December in the reviewed year was Rs. 29,968,619 and the correspondence income exceeding the recurrent expenditure of the previous year was Rs. 8,418,099.

2.2 Revenue Administration

2.2.1 The estimated income, billed income, collected income and outstanding income

The information about the estimated income, billed income, collected income and arrears of income that had been submitted for the year under review and the previous year is as follows.

Source of income	2023				2022			Total deficit as on 31
	Estimated income	Billed income	Collected income	Total deficit as on 31	Estimated income	Billed income	Collected income	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates & Taxes	7,984,000	8,814,167	6,299,993	7,781,796	9,045,000	8,180,703	7,509,630	4,613,491
Rents	20,896,515	5,588,033	13,931,276	1,805,805	26,806,647	12,164,136	12,110,966	839,276
License Fees	3,396,000	-	1,317,387	332,900	3,549,100	1,286,595	1,320,145	2,950
Other income	<u>15,299,180</u>	<u>1,061,861</u>	<u>10,851,326</u>	<u>955,345</u>	<u>9,030,000</u>	<u>10,943,014</u>	<u>8,086,125</u>	<u>508,042</u>
	<u>47,575,695</u>	<u>15,464,062</u>	<u>32,399,984</u>	<u>10,875,846</u>	<u>48,430,747</u>	<u>32,574,449</u>	<u>29,026,868</u>	<u>5,963,760</u>

2.2.2 Performance in Collection of Revenue

	Audit Observation	Comments of the Council	Recommendation
(a)	26 government institutions had not been collected the outstanding assessment and acre tax of Rs.148, 701 as on 31 December 2022.	Government institutions have been informed.	Actions should be taken to act as per the Pradeshiya Sabhas Act.

- | | | | |
|-----|---|--|---|
| (b) | there was a balance of Rs.325,494 over 05 years in the deficient assessment balance of Rs.3,930,194 as on 31 December 2023. | It is propose to write off a sum of outstanding amount and recover the remaining balance soon. | Actions should be taken to collect outstanding revenue. |
| (c) | There was a balance of Rs.146,879 over 05 years. In the deficient assessment balance of Rs.182,815 as on 31 December 2023. | -Do - | -Do - |

3. Operational Review

3.1 Management inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) 50 water meters which had received as donations had not been accounted.	Actions are taken to identify the value.	Actions should be taken to account the value.
(b) The Sabha had lost ownership of a property on a court order. Because of this, the Sabha had also lost the rights of the 03 meat shops that had been built on that land.	In place of the lost meat shops, Actions have been taken to build 3 new shops in the <i>Satipola</i> area and give tenders for the year 2024.	Actions should be taken to protect the property owned by the Sabha.
(c) No legal action had been taken regarding 09 unauthorized constructions.	Actions are taken upon following up.	Legal action should be taken regarding unauthorized construction.
(d) In the creditor balance of Rs.8,968,875 as on 31 December 2023, there was a balance of Rs.1,011,285 over 05 years.	Actions will be taken to settle in the future.	Actions should be taken to settle.

3.2 Operational inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Entertainment tax amounting to Rs. 163,306 from the year 2019, had not been collected from a cinema hall.	Actions have been taken to initiate the legal proceedings.	Actions should be taken to collect the Revenue.
(b) An income of Rs.3,488,625 had been lost in the year 2023 due to failure to lease 29 places.	Although tenders were called for the third time, nobody accepted the tender.	-Do -

- | | | | |
|-----|--|--|-------|
| (c) | Although a digital name board had been installed in the year 2019 at a cost of Rs.3,824,232 expecting an annual income of Rs.2,000,000, only Rs.370,000 had been earned in the years 2021 and 2022. The subject file related to this bulletin board also had gone missing. | The investigations are currently being carried out regarding the misplacement of the file. | -Do - |
|-----|--|--|-------|

3.3 Assets Management

Audit Observation	Comments of the Council	Recommendation
(a) Instead of getting the government's valuation, a value of Rs.125,171,911 had been accounted for 209 land buildings based on an valuation made by a committee including the Sabha secretary.	As per Circular No. 16 of 2017 dated 04/2017, asset survey will be done in the year 2025.	Actions should be taken as per the relevant circular.
(b) Although a tractor had been taken out of service since 2017, it had not been disposed.	Further steps will be taken as soon as the registration certificate is given.	Actions should be taken to dispose of it properly.
(c) 05 units of machinery and equipment have been decaying in front of Mainnoluwa Public Library for many years.	Actions are being taken to dispose or repair these machines.	Actions should be taken to act as per the Asset Management Circular No. 05/2020 dated 02 October 2020.
(d) 22,486 kg of manure produced by the Sabha had been kept in storage without being sold or used for any other productive purpose till August 2023.	Arrangements have been made to sell to external institutions and to provide fertilizers through various projects.	Actions should be taken to sell or use fertilizers for other productive purposes.

3.4 Contract Administration

Audit Observation	Comments of the Council	Recommendation
(a) Although the construction of the City Hall building had been completed in the year 2022 on the agreement of both parties with a finished work value of Rs. 23,811,882, the building remained idle as of 25 April,	Actions have been taken to prepare an estimate worth Rs. 57,500,982 for the second phase and send to the Ministry of Public Administration, Home	Actions should be taken to complete so that it can be used.

2024 due to the fact that the work had not been completed so that it could be used.

Affairs, Provincial Councils and Local Government for approval.

(b) although the foundation stone had been laid for the construction of a new garbage yard adjacent to the Ketagoda Estate Solid Waste Management Unit at a cost of Rs.1,325,903 in July of 2022 and the construction abandoned, the site is not a state of use and is overgrown now.

Provincial council allocations have been allocated and that construction can be completed within this year.

Actions should be taken to expedite the Construction.

3.5 Human Resource Management

Audit Observation	Comments of the Council	Recommendation
(a) There were 25 vacancies and 01 surplus of approved staff as on 30 June 2023. 17 employees on labour and casual basis and 20 employees personal to the holder had been recruited.	Due to the difficulty of dealing with the approved work force and the need to provide continuous services in the year 2013, employees have been recruited on labour basis, casual basis and personal to the holder.	Actions should be taken to fill the vacancies.
(b) 15 health and field workers, 02 office workers, 03 library assistants and a watchman among the approved number of employees had been employed in other services without being employed in the relevant work from 2013 upto now.	Although there were vacancies in the post of revenue inspector in crematorium, pre-school, electricity department, driver, water project and Ayurvedic affairs, officers in other posts had to be attached to perform the services due to the fact that vacancies had not been filled and they are essential services.	Actions should be taken to employ the employees recruited for a specific task to employ for that task.
(c) Contrary to Rule 203 of Procedural Rules in the Public Services Commission, 19 officers have been working continuously at the same post for a period between 06 and 23 years without transfer.	Some officers could not be transferred due to reasons such as non-operation of transfers and non-arrival of the successor.	Annual transfers should be carried out as per Public Services Commission' procedural Rules.
(d) As on 31 December, 2023, the loan balance of Rs.105,305 owed by two officers was overdue for a period of 02 years to 13 years.	Actions have been taken to recover one of the loan balances through gratuity and the other balance has been offered for write-off.	Arrangements should be made to recover outstanding employee loan balances.