

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of Walapane Pradeshiya Sabha for the year ended 31 December 2023 comprising with the Balance Sheet as at 31 December 2023 and Income and Expenditure Account, 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 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 financial position of the Walapane Pradeshiya Sabha as at 31 December 2023, and of its financial performance for the year then ended in accordance with 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.

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 Standards, 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 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 all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Pradeshiya Sabha.

#### **1.4 Audit Scope (Auditor's Responsibility 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 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 Pradeshiya Sabha's 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 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

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

- 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.
- The financial statements presented includes all the recommendations made by me in the previous year except the observations, (b), (c), (d), (e), (f)), (i), (l), (o) and (p) in the paragraph 1.2.2 of the summary report of 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

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	A stock of organic fertilizers amounting to Rs.58,150 in relation to the year under review, miscellaneous expenses paid in 07 occasions amounting to Rs.147,361 and income amounting to Rs. 94,300 had not been accounted.	Action will be taken to rectify it in the preparation of financial statements for the year 2024.	Action should be taken to account accurately.
(b)	The employee loan deposit balance had been understated by Rs. 122,415 as at 31 December of the year under review.	-Do-	-Do-

### 1.6.2. Unreconciled Control Accounts or Records

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
	There had been reconciliations amounting to Rs. 1,936,538 in the reconciliation of the balances of 02 accounts in the financial	Action will be taken to rectify it in the financial statements for the year	Accounts should be rectified.

statement as at the closing date of the year 2024.  
under review with the balances indicated in  
the schedule.

### 1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Since documents, schedules and files related to 05 account balances totalling to Rs. 2,347,317, indicated in the financial statements as at the closing date of the year under review had not been submitted, they could not be satisfactorily verified during the audit.	Action will be taken to submit correct guarantee documents and other information.	Documents and files must be maintained to confirm the account balances.

## 1.7 Non-compliance

### 1.7.1 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance to laws, rules and regulations are mentioned below.

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a) Acts of Parliament			
Section 20 of the Rating and Valuation Ordinance No. 30 dated 07 August 1946	Although the valuation of property for assessment tax should be carried out at least once in 5 years, the Pradeshiya Sabha had levied assessment tax in the year under review based on the assessment of the year 2011.	Letters and related information have been submitted to the Government Valuation Department for renewal of the property valuation.	Action should be taken according to the provisions of the Act.
(b) Public Administration Circulars			
Public Administration Circular No. 09/2009 dated 16 April 2009	The officers of Ragala sub-office had not used the fingerprint machine to record the arrival and departure. The machine had been damaged and it had been broken down	A fingerprint machine has been installed by now on the basis of recovering the value.	Action should be taken according to the Circular instructions.

on 18 October in the year under review, within 1½ months after starting the use of the machine from September in the year under review.

## 2. Financial review

### 2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2023 was Rs.1,403,905 and corresponding to that, the revenue exceeding the recurrent expenditure of the previous year had been Rs. 3,153,885.

### 2.2 Revenue Administration

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

According to the information presented by the Secretary, information about the estimated revenue, billed revenue, collected revenue and arrears revenue related to the year under review and the previous year is mentioned below.

Revenue Source	2023				2022			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Deficit as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Deficit as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	3,027,000	5,401,063	5,658,278	3,008,958	2,877,000	4,768,063	5,327,808	3,266,172
(ii) Rents	10,885,500	4,320,795	3,757,022	8,673,602	11,518,000	16,184,257	2,855,586	8,109,829
(iii) License Charges	3,974,000	3,898,359	3,898,359		4,456,000	2,959,854	2,959,854	-
(iv) Other Revenue	8,500,000	3,055,990	9,370,627	3,135,499	91,103,000	14,309,041	19,149,245	9,450,127
	26,386,500	16,676,207	22,684,286	14,818,059	109,954,000	38,221,215	30,292,493	20,826,128

#### 2.2.2 Performance in the Collection of Revenue

Following are the observations regarding the revenue collection performance of the Sabha.

	Audit Observation	Comments of the Sabha	Recommendation
(a)	A sum of Rs. 1,556,904 or 62 percent of the billed income from stall rents, and Rs. 1,442,615 or 57 percent of assessment tax had been in arrears.	Collection of rentals has been delayed as the ownership of the stalls has not been settled	Arrangements should be made to collect the revenue arrears.

**(b) Rentals**

Rental totalling to Rs. 7,084,698 had not been collected for more than 05 years from 45 stalls belonging to the Sabha.

It is not possible to recover the arrears rentals from the stalls, as there is a problem related to the ownership of the land.

Revenue arrears should be collected.

**(c) Other income**

i. According to the Entertainment Tax Ordinance No. 43 of 1947, entertainment tax had not been collected from a cinema operated within the area of Ragala sub-office.

The officer in charge and the revenue inspector have been notified in writing for further action.

Action should be taken to collect revenue.

ii. Weekly fair tax, rentals, vehicle parking fee and lavatory tax totalling to Rs.926,917, which should have been collected from 03 to 05 years as at the closing date of the year under review, had not been collected.

Further action will be taken

Actions should be taken to collect revenue or take legal action.

iii. Annual license fees of one percent of the revenue had not been charged from 06 tourist hotels approved by the Tourism Board, lodges and restaurants within the limits of the Sabha.

Action will be taken to recover.

Revenue arrears should be charged.

**(d) Court Fines and Stamp Duty**

Court fines and stamp duty receivable from the Chief Secretary of the Provincial Sabha and other authorities by 31 December 2023 had been Rs. 1,092,299 and Rs. 2,043,200 respectively.

Stamp duty is being charged.

Income should be brought in.

**3. Operational Review**

**3.1 Performance of Functions Assigned by the Act**

The following matters were observed regarding the performance of the duties by the Sabha charged with 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 and all amenities within such area under Section 3 of the Pradeshiya Sabhas Act.

Audit Observation	Comments of the Sabha	Recommendation
(a) By-laws could have been enacted to increase the revenue of the Sabha under Section 126 of the Pradeshiya Sabhas Act, No. 15 of 1987, the Sabha had not identified new sources of revenue and enacted By-laws even by 31 December of the year under review.	Action will be taken to rectify this.	Action should be taken to enact By-laws.
(b) Any development activity related to irrigation in terms of Sections, 79 to 84 of the Pradeshiya Sabhas Act had not been carried out during the year under review.	Development activities have been stopped due to expenditure control, and development activities will be carried out this year.	Action should be taken according to the provisions of the Act.
(c) A gully bowser service had not been maintained for the purpose of sewage transportation activities of the area to discharge the functions stipulated in Sections, 93 to 95 of the Pradeshiya Sabha Act.	Request letters have been forwarded to get a gully bowser to the Pradeshiya Sabha.	Public utility services should be carried out as per the provisions of the Act.
(d) Any amount from the Fund of the Sabha had not been used to construct and improve thoroughfares even by 31 December of the year under review according to Part III of the Pradeshiya Sabhas Act, No. 15 of 1987.	Development activities had been stopped due to government expenditure control, and development activities will be carried out this year.	Public utility services should be carried out as per Sections of the Act.
(e) Action had not been taken to treat water in 02 irrigation schemes maintained by the Sabha and to provide drinking water.	Since there is a difficulty in maintaining these water projects, action is being taken to hand them over to the Community Water Unit.	Clean drinking water should be provided to the public.
(f) According to the National Environment Act, No. 47 of 1980 as amended by the Act No. 53 of 2000 and the Act No. 56 of 1988 published in the Gazette Extraordinary No. 1523/16 dated 25 January 2008, 24 businesses had not obtained environmental protection licenses for the year under review.	Action will be taken to rectify.	The regulatory work assigned to the Sabha by the Gazette should be carried out.

### 3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Action had not been taken to reimburse the salaries amounting to Rs. 419,062 in relation to the months of March and April of the year 2021.	Action will be taken to rectify.	Action should be taken to get the relevant salaries.
(b) Seven (07) general deposit balances amounting to Rs. 238,201, which had been indicated in the financial statement for a long time, had not been settled.	Comments have not been made.	Arrangements should be made to settle the amount without delay.
(c) According to the bank reconciliation statement prepared on the closing date of the year under review, the amount of Rs.242,999 that had been credited to the Fund of the Sabha in 21 instances for various matters by the parties had not been settled from a period of 20 years to 36 years.	Action will be taken to investigate and settle it.	Arrangements should be made to settle the amount without delay.
(d) Although the odometers of 03 vehicles owned by the Sabha had been inactive for a long time, due to the fact that repairs had not been made, the accuracy of Rs.68,872 spent on 208.45 liters of fuel, used in the year under review could not be confirmed.	Action will be taken to investigate and correct, and the mileometers have been repaired by now.	Mileometers should be repaired.
(e) The balance of recurrent receipts amounting to Rs. 13,742,314 existed in 03 current bank accounts as at the closing date of the year under review, had remained idle without using any amount for regional development.	It is kindly informed that the development projects will be implemented this year, and that the development projects had not been implemented due to the control of costs in the previous year.	The income of the Sabha should be used for regional development.



### 3.3 Management of Assets

Audit Observation	Comments of the Sabha	Recommendation
(a) 09 fixed assets amounting to Rs. 2,546,375 existed as at the closing date of the year under review and 15 unrecognizable fixed assets remained idle and underutilized for a period of 04 to 13 years.	Action will be taken appropriately to repair / dispose of / auction the assets.	Assets should be utilized or disposed of.
(b) Action had not been taken to take over the ownership of 10 vehicles of the Sabha.	The Department of Motor Traffic will be informed and the related transfers will be carried out properly.	Action should be taken to take over the vehicles properly.
(c) 04 stalls, Manthrihenna Garbage Yard, Padiyapalella Sub-Office and Library, Medahinnawala Community Hall had been dilapidated without any repairs.	It is not possible to carry out repairs as the land is prone to landslides.	The security of the properties of the Sabha should be ensured.
(d) Three cemeteries and one land owned by the Sabha had not been fenced and their security had not been ensured.	There is a delay in carrying out these works as there was no sufficient money in the Sabha Fund.	The security of the properties of the Sabha should be ensured.

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

Audit Observation	Comments of the Sabha	Recommendation
Ragala cemetery land had not been used as a cemetery and an area of about 01 acre had remained idle.	The Assistant Commissioner of Local Government should be informed and appropriate measures will be taken.	The security of the properties of the Sabha should be ensured.

### 3.5 Visual Irregularities

Audit Observation	Comments of the Sabha	Recommendation
Salary irregularity occurred during the period of October 2017 to December 2021, and the amount of Rs.3,660,000, recovered from the relevant parties had not been disclosed in the financial statements.	The amount recovered in respect of salary irregularity has been set aside as fixed deposit and banked.	Disclosures should be made in the financial statement.

### 3.6 Human Resource Management

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Loan balances amounting to Rs.638,082 of 25 officers, deceased and whose services had been suspended had not been recovered for a period of 04 months to 07 years.	Action will be taken to recover the loan amounts.	Action should be taken in terms of the directives of the Establishments Code.

### 4. Accountability and Good Governance 4.1 Annual Action Plan

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
An action plan had not been prepared for the year under review.	Action will be taken to rectify this.	An action plan should be prepared.