

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Wilgamuwa Pradeshiya Sabha for the year ended 31 December 2023 comprising with the Balance Sheet as at 31 December 2023 and Income and Expenditure Account, and other explanatory information including a summary 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 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 financial statements give a true and fair view of the financial position of the Wilgamuwa Pradeshiya Sabha as at 31 December 2023, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices

1.2 Basis for Qualified

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 Scope of Audit (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) The financial statements presented includes all the recommendations made by me in the previous year except the audit matters of 1.6.1 (a), (b), (c) described in paragraph 1.6 of this report 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)	Library books worth Rs.323,450 and a cab worth Rs.2,600,000 were not accounted for during the year under review.	It will be corrected during the preparation of the final account 2024.	It should be correctly accounted for.

(b)	Rs.633,000 spent on construction, on two occasions during the year under review, was not capitalized.	It will be corrected during the preparation of the final account 2024.	It should be correctly accounted for.
(c)	04 balances of expenses amounting to Rs.216,925 to be shown as expenses in the year 2024 were accounted as accrued expenses in the year under review.	-Do-	-Do-
(d)	During the year under review, expenditure of Rs.3,091,449 under 02 expenditure items was shown as Rs.3,270,674 to the income and expense account, thus it was over accounted by Rs.179,225	-Do-	-Do-
(e)	Although the warehouse advances miscellaneous creditors in the year under review were Rs.296,750, due to accounting as Rs.514,555, Rs.217,805 had been over-accounted for.	-Do-	-Do-
(f)	In the statement of financial position prepared as on 31st December of the year under review, in current assets, industry debtors of Rs.1,817,316 as a credit balance and in current liabilities a creditor balance of Rs.2,810,937 as debit balance and industrial deposits of Rs.67,596 as a debit balance in current liabilities had been recorded erroneously.	It will be corrected during the preparation of the final account 2024.	It should be correctly accounted for.
(g)	Although 150 sets of water equipment worth Rs.3,255,200 were given in the year under review under the Pura Naguma project of the State Ministry of Provincial Councils and Local Government Affairs, it was not accounted for.	-Do-	-Do-
(h)	By posting the receipts, issue of stock, during the previous year in the Income Contribution to Capital application account, inserted of posting to the Stock Advances account, that account was overstated by Rs.291,483	-Do-	-Do-

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| (i) | While rectifying the error of accounting electric appliance stock of Rs.1,645,788 purchased in the previous year under Furniture and Fittings, both the accounts were overstated due to non-debit of that value to the Income Contribution to Capital application Account and debit to the General Stock Account. | -Do- | -Do- |
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1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
(a) There was a difference of Rs 4,713,366 between the Fixed Assets account and the Income Contribution to Capital Application account.	It will be corrected during the preparation of the final account 2024.	Account balances should be corrected.
(b) A difference of Rs.33,995,559 was observed when comparing the balances of 18 account subjects mentioned in the financial statements with the related documents and schedules as at the end of the year under review.	No comments	Account balances should be corrected.

1.6.3 Suspense Accounts

Audit Observation	Comments of the Sabha	Recommendation
The balance of suspense account of Rs.1,501,545 which brought forward for long time had not been settled.	It will be corrected	The balance of the suspense account should be identified and settled.

1.6.4 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
(a) Due to non-submission of schedules relating to 06 asset items totaling Rs.28,701,488 and a credit balance of Rs.935,627 shown in the financial statements of the year under review, could not be satisfactorily verified.	It will be corrected.	Schedules and balance confirmation should be submitted.

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| (b) | The Sabha did not have the information regarding the balance of Rs.79,624 owed from three officers who were not in the service of the Sabha for a period of 23 years. | It has been submitted for approval to write off the loan balance. | Arrangements should be made to settle the balance |
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1.7 Non- Compliances

- 1.7.1 **Non-compliance with Laws, Rules, Regulations and Management Decisions etc...**
Non-compliance with Laws, Rules, Regulations and Management Decisions etc. are as follows

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a) Gazette notification			
Central Environment Authority Gazette No. 2264/18 dated 27 January 2022	The environmental licenses of 06 business entities whose validity period has exceeded were not renewed.	Further action will be taken.	It should be complied with the gazette.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
i. F.R.104(3) and (4)			
	Although the inspection boards were appointed regarding the misplacement of electrical accessories of Rs.126,700 related to street lamp sets and crematorium income of Rs.36,000 not being credited to the Pradeshiya Sabha fund, but the inspections were not carried out.	Further action will be taken as per the orders of the final report.	It should be complied with F.R.
ii. F.R. 371 (2)(b) as amended by State Finance Circular No. 1/2020 dated 28 August 2020			
	Although the interim imprest should be settled as soon as the respective works are completed, there was a delay in settlement of the imprest obtained in 09 cases ranging from 01	It will be ensured that such defects do not occur.	It should be complied with F.R.

to 03 months and at the moment an amount of Rs.67,785 was withheld.

(c) Circular

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| i. | Treasury Asset Management Circular No. 2/2017 dated 21 December 2017 | 02 vehicles owned by the Pradeshiya Sabha were not taken over in the name of the Sabha. | The acquisition activities are being carried out and that there is a judicial activity related to one vehicle. | It should be complied with Circular. |
| ii. | Public Administration Circular No. 30/2016 dated 29 December 2016 | The fuel combustion of 04 vehicles in running condition owned by the Sabha had not been tested for between 01 and 07 years. | The fuel combustion test will be conducted. | It should be complied with Circular. |

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 2023 amounted to Rs. 5,793,507 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 3,575,850 in the preceding year.

2.2 Revenue Administration

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

According to the information presented by the Secretary relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Source of Revenue	2023				2022			
	Estimated Revenue-Rs.	Revenue billed Rs.	Revenue Collected Rs.	Arrears as at 31 December Rs.	Estimated Revenue Rs.	Revenue billed Rs.	Revenue Collected Rs.	Arrears as at 31 December Rs.
Rates and Taxes	2,470,000	2,424,965	2,323,668	889,525	680,000	709,688	1,151,420	788,227
Rent	6,238,200	1,835,810	1,718,700	1,050,679	1,100,000	985,000	803,000	933,569
License Fees	1,121,000	856,789	856,789	-	1,000,000	879,845	1,557,760	-
Other revenue	44,629,020	8,688,832	12,053,653	12,032,138	11,510,000	9,888,300	10,027,328	15,396,959
Total	<u>54,458,220</u>	<u>13,806,396</u>	<u>16,952,810</u>	<u>13,972,342</u>	<u>14,290,000</u>	<u>12,462,833</u>	<u>13,539,508</u>	<u>17,118,755</u>

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Sabha are given below.

Audit Observation	Comments of the Sabha	Recommendation
(a) Other Revenue		
(i) Although water charges of Rs.2,331,755 were billed during the year under review, lesser amount as Rs.782,179 or about 33 percent of the billing during the year had been collected.	Action will be taken to recover.	Arrangements should be made to recover the arrears of income.
(ii) As on the last day of the year under review, the weekly fair arrears income was Rs.3,754,498 out of which Rs.3,623,345 had not been recovered from the income due in previous years.	It has been referred for approval to write off.	Arrangements should be made to settle.
(b) Court fines and stamp duty		
Court fines amounting to Rs 1,136,418 were due on December 31 of the year under review from the Chief Secretary of the Provincial Council and other authorities.	Actions are being taken to recover.	Arrangements should be made to collect the arrears income

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) According to the sample investigation conducted on the advertisement boards in the Sabha area of authority, for 320 square feet in 04 Advertiding billboard locations, Rs.16,000 was not charged at Rs.50 per square foot.	It will be recovered in the year 2024	Actions should be taken to recover income.
(b) Even though the Sabha received a cheque of Rs.427,435 from the Wilgamuwa Zonal Education Office on October 15 of the year under review, after setting off the loan balance of Rs.664,474 due from 03 transferred officers and the loan amount of Rs.237,039 of an officer who transferred and come to the sabha, It was retained in public deposits, without being offset against loan balances	No comments	It should be correctly accounted for.

3.2 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
The ownership of 54 lands used by the Pradeshiya Sabha had not been taken over to the Sabhal.	Taken over activities are being carried out.	Assets should be taken over.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
(a) 03 vehicles worth Rs.10,620,344 in operating condition of of Wilgamuwa Pradeshiya Sabha remained unused for a period of 03 years.	It will be repaired	It should be repaired and utilize.
(b) 04 vehicles worth Rs.785,000 belonging to the Wilgamuwa Pradeshiya Sabha were allowed to decay without being in running condition and without repair for a period of 03 to 18 years.	Arrangements will be made to obtain the registration certificate and auction.	Do appropriate and action should be taken to dispose of.

3.4 Identified Losses

Audit Observation	Comments of the Sabha	Recommendation
Since the commencement of the Pradeshiya Sabha's crematorium, a formal gas combustion test was not conducted, and although 12 kg of gas was used to cremate a dead body in similar institutions, due to the fact that 17.37 kg of gas was used to cremate a dead body in this Sabha, 37.5 kg was used in the last 5 years. A total of 29 gas cylinders or 1092 kg of gas had been overused or misused. Accordingly, at the end of the year under review, a loss of Rs.471,540 had been incurred to the Sabha fund based on the price of Rs.16,260 spent to fill a 37.5 kg gas cylinder.	Action is being taken to resolve the issues.	After a formal inspection, if there is a loss, it should be recovered from the relevant parties.

3.5 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
As of December 31 of the year under review, there were 19 vacancies in 09 positions in the Sabha.	The top management has been informed and requested.	Vacancies should be filled

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
Although the estimated assessment and tax revenue for the year under review was Rs.240,000, the billings for the year were Rs.2,290,730, the estimates were prepared without due care and attention.	This kind of income is expected in the coming year.	Arrangement should be made to prepare realistic budget documents

4.2 Solid Waste Management

Audit Observation	Comments of the Sabha	Recommendation
(a) In accordance with the amendment No. LDB4/8 (XII) dated 30th August 2017 of the National Environment Act No. 47 of 1980, it has been stated that no person shall burn, cause to be burnt, allow or permit any material containing plastic or any other flammable material in open air, Non-biodegradable waste had been burned in the places that were inspected in the area.	Action should be taken to correct.	It should be complied with act.
(b) Due to the failure to properly dispose of waste materials and goods removed from the use of Namini Oya crematorium, those materials were piled up in the premises of the crematorium.	Corrective action will be taken.	A formal system should be set up to dispose of the waste.

4.3 Sustainable Development Goals

Audit Observation	Comments of the Sabha	Recommendation
According to the provisions of the Sustainable Development Act No. 19 of 2017, the Pradeshiya Sabha had not formally identified and implemented sustainable development objectives.	The programs are expected to be implemented in the future.	Sustainable Development Goals should be implemented.