

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Wanathawilluwa pradeshiya sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, Statement of Net Assets Changes, Cash Flow Statement 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 in sub-section 10(1) of the National Audit Act No. 19 of 2018 , the sub section 172(1) of 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 Wanathawilluwa pradeshiya sabha as at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with generally accepted accounting practices.

1.2 Basis for Qualified Opinion

I expressed qualified opinion regarding financial statement 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 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 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 Audit Scope (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 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 include 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 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 regarding the preparation of financial statements

1.6.1 Accounting deficiencies

Audit Observation	Comments of the council	Recommendation
(a) The value of the security fence constructed around Sandamali Pre-School at a cost of Rs. 900,000 during the year under review had not been capitalized.	It will be corrected in the future.	Accounts must be prepared correctly.
(b) Although the inventory balance at the beginning of the year under review was Rs. 568,070, it was recorded as Rs. 721,670, which is Rs. 153,600 more than the relevant expense account.	It will be corrected in the future.	Must be accounted for correctly.

1.7 Non- compliances

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

The instances of Non-compliance with laws, rules, regulations and management decisions are as follows.

Reference to laws, rules, regulations, etc.	Non-compliance	Comments of The Council	Recommendation
(a) Financial Regulations Of the Democratic Socialist Republic of Sri Lanka			
F.R.571 (2)	Action had not been taken in accordance with the Financial regulations regarding deposits that had expired for 02 years.	It will be corrected in the future.	Overdue deposits should be dealt with in accordance with Financial regulations.

- (b) Circular No. 2/2019 of the Commissioner of Local Government (North West Province) dated 10th January 2019 Paragraphs 5 and 6

The bus stand stalls were rented out in accordance with a council decision taken in 2011 without an assessment and without a rent revision every 5 years. That action will be taken to formalize it in the future. Action should be taken according to the circular instructions.

2. Financial review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the council for the year ended 31st December 2024 amounted to Rs. 15,664,207 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 11,606,618 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated revenues, billed revenues, collected revenues and outstanding revenues

According to the information submitted by the Secretary, the details of estimated revenue, billed revenue, collected revenue and arrears of revenue submitted for the year under review and the previous year are given below.

Source of Revenue	<u>2024</u>	Billed revenue	Collected revenue	Total Arrears as at 31 December	<u>2023</u>	Billed revenue	Collected revenue	Total Arrears as at 31 December
	Estimated revenue				Estimated revenue			
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
I. Assessments and taxes	3,344	2,355	3,554	2,258	2,793	2,035	718	3,376
ii. Rent	119,479	72,945	61,191	12,768	107,626	70,540	70,130	897
iii. License fees	727	446	458	358	479	471	469	371
iv. Other income	11,273	10,770	11,094	4,826	11,425	9,772	5,067	4,720
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Total	134,823	86,516	76,297	20,210	122,323	82,818	76,384	9,364
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2.2.2 Performance in Revenue collection

The observations regarding the revenue collection performance of the council, are as Follows.

	Audit Observation	Comments of the council	Recommendation
(a)	Assessment and taxes		
i.	The assessment tax arrears as at 30 th April, 2025 were Rs. 948,742, of which Rs. 535,698, or 47 percent, were arrears older than 04 years.	Rs.191,825 has been collected from the assessment tax arrears.	The action should be taken to recover arrears of revenue promptly.
ii.	As at 30 th April, 2025, the acreage tax arrears were Rs. 269,511, of which Rs. 106,394, or 39 percent, were arrears older than 05 years.	Rs.850 has been collected from the acreage tax arrears.	The action should be taken to recover arrears of revenue promptly.
iii.	As at 30 th April 2025, the water tax arrears were Rs.470,526, of which Rs.52,491 was an old arrears balance of more than 05 years.	Rs.18,355 has been collected from the water tax arrears.	The action should be taken to recover arrears of revenue promptly.
iv.	The business tax balance due as at 30 th April 2025 was Rs. 357,480, and that balance was the old arrears balance between 01 and 03 years.	Rs.1,080 has been collected from the business tax arrears.	The action should be taken to recover arrears of revenue promptly.
(b)	Rent		
	As at 30 th April 2025, the outstanding rent and lease were Rs.954,898, of which Rs.167,744 were outstanding balances older than 5 years.	Rs. 204,072 has been collected from the tax rent arrears and Rs. 67,667 from the shop rent arrears.	Action should be taken to promptly collect arrears of income and to deal with leaser who do not pay rent in accordance with agreements.
(c)	License fees		
	At the end of the year under review, there was an outstanding balance of Rs. 339,680 in trade license fees for years 1 to 5 and an outstanding balance of Rs. 18,500 for years more than 5.	Since there is only one revenue inspector, the collection of arrears has been delayed and instructions have been given to recover the arrears.	The action should be taken to recover arrears of revenue promptly.

3. Operational review

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

3.1 Management inefficiencies

	Audit Observation	Comments of the council	Recommendation
(a)	Although it had been between 2 and 4 years since the motor of the huller machine worth Rs. 250,000, the motor of the garbage shredder machine worth Rs. 96,237, and the equipment and oil worth Rs. 69,950, including cash from the vehicle service center, which had been installed at the solid waste management center, went missing, investigations had not been conducted, and responsible officers had not been identified, and action had not been taken to recover the losses.	That the necessary work is being done.	Investigations should be conducted, and responsible officers should be identified and damages should be recovered.
(b)	The tipper owned by the Council was handed over to a private garage for repair on 22 nd July 2024 for a contracted amount of Rs. 1,552,500 and the vehicle had not been repaired and handed over to the Council by the end of the year under review.	Due to the failure to complete and hand over the repairs on the relevant date, it has been decided to act in accordance with condition number 02 of the agreement.	The terms of the agreement must be followed.
(c)	Although 3 years had passed since the Eluwankulam Water Project, which was started in 2021 and had cost Rs.4,040,794 by the end of the year under review, the council had failed to provide drinking water through it.	Provisions of Rs. 4,000,000 will be provided under the Provincial Specific Development Plan to complete the remaining work of the project.	The project should be implemented promptly and action should be done to supply drinking water to the people.
(d)	As at 30th April 2025, there was a balance of Rs. 1,699,727 in 02 accounts receivable of which there was a balance of Rs. 492,596 that was over 05 years old. Management had not paid attention to the recovery of this money.	Rs. 585,640 has been recovered from sundry debtors' account balances and Rs. 634,032.26 from the revenue grant balances so far.	Outstanding balances should be collected promptly.
(e)	As at 30th April 2025, there was a balance of Rs. 1,931,461 in 02 liability items, of which Rs. 648,608 was more than 05 years old. The existence of these creditor balances, which had been in the financial statements for a long time, had not been confirmed and action had not been taken to settle them.	Rs.3,356,408 has been paid to sundry creditors and Rs.2,905,348 has been paid to contract creditors the balance amount will be paid in the future.	The balance due must be settled.

3.2 Idle or underutilized property, plant and equipment

	Audit Observation	Comments of the council	Recommendation
(a)	The Karatavi Bodybuilding Center, which was built in 2014 at a cost of Rs. 539,528, and the stock of bodybuilding equipment worth Rs. 2,113,060 purchased for its use, remained underutilized.	Due to insufficient numbers of participants and several pieces of bodybuilding equipment needing repair, this equipments have been brought to Wanathavillu and put to good use.	Action should be taken to achieve the expectable objectives of the project.
(b)	The Solid Waste Management Center, which had been established at a cost of Rs. 3,271,793, was not operational due to the shortage of staff in the council.	It has been impossible to carry out the relevant work since there are not enough employees to be employed at the solid waste center.	The Solid Waste Management Center should be operated and solid waste management should be streamlined.

3.3 Assets Management

Audit Observation	Comments of the council	Recommendation
There were 50 properties that were enjoyed by the council but not taken over, including cemeteries., sports grounds, pre-schools, libraries, water pumping stations and weekly markets. No action had been taken to acquire these assets during the year under review.	Requests have been made to the divisional Secretary to take over these land plots..	Action should be taken to take over the property enjoyed by the council.

3.4 Human Resource Management

Audit Observation	Comments of the council	Recommendation
01 tertiary and 07 secondary posts were vacant in the council and action had not been taken to approve the surplus executive post and 10 primary posts. Due to these employee vacancies, it had become difficult to maintain various functions of the council.	Action were taken to inform the heads of departments about the relevant vacancies through staff reports on a quarterly basis. It was stated that steps would be taken to approve the surplus executive positions in the future.	Action should be taken to fill vacancies in posts and to get surplus posts approved. Through this, the functions of the council should be carried out in an orderly manner.

3.5 Vehicle systems management

Audit Observation	Comments of the council	Recommendation
The council's tractor worth Rs. 230,000 and motorcycle worth Rs. 50,000, which were in an unusable condition, had been parked without taking actions to dispose of them.	An assessment committee has been appointed with the participation of the Assistant Local Government Commissioner for the disposal of the tractor, and relevant written documents have been sent to the Local Government Commissioner seeking approval for the disposal of the motorcycle. Accordingly, action will be taken in the future.	Action should be taken to dispose of vehicles that are not suitable for use.

4. Accountability and good governance

4.1 Budgetary control

Audit Observation	Comments of the council	Recommendation
The entire provision of Rs. 11,615,000 provided in the budget estimates for 21 expenditure votes during the year under review for the provision of welfare services to the people in the council area, maintenance of roads, vehicles and buildings, and land surveying had not been utilized for the relevant tasks.	Action will be taken to utilize the provisions as scheduled. in the future	Action should be taken to complete the estimated expenditure votes within the relevant time frame.

4.2 Sustainable Development Goals

Audit Observation	Comments of the council	Recommendation
In order to achieve the goals and targets to be achieved in accordance with the Sustainable Development Agenda 2030, the Council had identified and implemented 06 targets for 05 Sustainable Development Goals during the year under review.	Due to the lack of training and minimum experience of newly appointed development officers worked at council It has become difficult to identify and work towards the goals and targets set out in the 2030 Agenda and action will be taken to correct it in the future.	Sustainable development goals should be identified and action should be taken to achieve those goals.