

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Wennappuwa 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 , 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 Wennappuwa 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 28 lands owned by the council was not assessed and accounted for.	It is scheduled to be forwarded to the Valuation Department to obtain values for all lands. After assessing Lands action will be taken to record in the accounts in next year.	All assets should be recorded in the accounts.
(b) 45 lands owned by the council had been accounted for at a value less than Rs. 500 for a long time and those lands had not been assessed and accounted for at their current value.	Lands that have been valued at very low values for a long time are to be referred to the Valuation Department for new values. Some of the areas mentioned as lands here are public wells and some include roads allocated during the division of land.	Land should be specifically identified, assessed and recorded.
(c) The value of 17 contracts completed in the previous year and the year under review, amounting to Rs. 43,724,324, had not been capitalized.	Action will be taken to adjust the financial statements for the year 2025.	Value of completed contracts should be capitalized
(d) The interest of Rs. 567,123 on 02 fixed deposits invested in the year under review had not been accounted.	This value will be adjusted to the accumulated fund in the next year's financial statement and adjusted to the account through journal entries.	Interest should be calculated and accounted.
(e) The value of the solar system constructed during the year under review, Rs. 23,102,327, and the value of vehicles sold, Rs.1,750,000, had not been adjusted to the capital	The constructions belonging to the Sola system will be capitalized in the coming year through accounts, and the vehicles sold have been adjusted to the disposal account in the year under review, and the	Accounts should be prepared correctly.

contribution from income account, and the scrap materials auctioned during the year under review, Rs.754,190, had not been adjusted to the capital contribution from income account and the non-current assets account.

capital contribution will be accounted for in the coming year through journal entries.

- (f) The value of 03 machineries and equipment worth Rs.13,990,000 were not accounted for as non-current assets, and the value of the solar system constructed during the year under review was under-accounted for as non-current assets by Rs. 5,544,559.
- Rs.13,990,000 spent on machinery and equipment and Rs.5,544,559 spent on the solar system in the year 2023. It will be adjusted for the accounts in the year 2025, as noncurrent assets.
- Accounts should be prepared correctly.

1.6.2 Unreconciled control accounts or records

Audit Observation	Comments of the council	Recommendation
As at 31 st December the year under review, there was a difference of Rs. 48,339,502 between the balances as per the financial statements and the balances as per the schedules of 12 accounting subjects.	Changes will be investigated and adjustments will be made in the coming year.	The reasons for the differences should be examined and corrected in accounts.

1.7 Non- Compliances

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

The following are examples of cases of non-compliance with laws, rules, regulations and management decisions.

Reference to laws, rules, regulations, etc.	Non-compliance	Comments of the Council	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka 571(2)	Action had not been taken in accordance with the Financial regulations regarding deposits of Rs. 4,406,742 that were over two years old.	Actions are being taken to credit deposits over two years into income.	Financial regulations should be followed.

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.63,803,368 as compared with the excess of revenue over recurrent expenditure amounted to Rs.127,946,180 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated revenues, Billed revenues, Collected revenues and Outstanding revenues

According to the information provided by the Secretary the information on estimated revenues, Billed revenues, Collected revenues and Outstanding revenues submitted for the year under review and the previous year is shown below.

Source of Revenue	Estimated Revenue	<u>2024</u>	Collected Revenue	Total Arrears as at 31 December	<u>2023</u>	Collected Revenue	Total Arrears as at 31 December
		Billed Revenue			Estimated Revenue		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
i. Assessments and taxes	27,277	30,658	27,930	11,047	17,965	18,998	7,052
ii. Lease rent	35,390	39,331	39,563	2,765	30,027	35,649	2,856
iii. License fees	5,260	6,009	6,009	479	4,065	5,087	479
iv. Other income	16,817	25,676	26,675	503	19,445	21,100	1,502
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Total	84,744	101,674	100,177	14,794	71,502	80,834	11,889
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2.2.2 Performance in Revenue collection

The following are observations regarding the revenue collection performance of the council.

Audit Observation	Comments of the council	Recommendation
(a) Although the total of the previous year's outstanding revenue and the billed revenue of the year under review, after deducting the revenue collected in the year under review, should equal the outstanding revenue at the end of the year under review, there were discrepancies between those figures according to the information presented regarding revenue.	Relevant differences will be corrected and presented in the future.	Accurate information regarding income should be submitted to the audit.

(b) **Assessment**

The assessment tax arrears as of 31st March 31, 2025 was Rs. 8,996,091, of which an arrears balance of Rs. 1,498,701 was found for more than 01 year but less than 05 years, and an arrears balance of Rs. 1,408,045 was found for more than 05 years.

The collection of arrears of revenue has been delayed due to the vacancy of 5 Revenue Inspector Officer posts.

Action should be taken to recover arrears of revenue promptly.

(c) **Rent**

As at December 31st of the year under review, the outstanding rents amounted to Rs. 2,764,900, of which Rs. 1,021,259 was outstanding rents for more than 05 years.

It is stated that letters have been sent to obtain the Governor's approval to write off the uncollectible amount of Rs.752,209.94 from this outstanding amount and actions will be taken to recover the remaining amount.

Actions should be taken to promptly recover outstanding rents.

2.2.3 Surcharge

Audit Observation

The amount of Rs. 326,355 that was to be recovered under Section 172(3) of the Pradeshiya Sabha Act, No. 15 of 1987, had not been recovered from the responsible parties as per the letter No. NW.L.G.D. 02/09/01/01 A.C.2006 dated 15th February 2018 of the North Western Provincial Council.

Comments of the council

Efforts are being made to recover the surcharge money.

Recommendation

Action should be taken to recover the surcharge.

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

- (a) A case was filed in 2003 to recover the outstanding lease amount of Rs.1,157,173 from the lessee who had leased the Wennappuwa weekly fair for the year 2001 and the case was dismissed 16 years later in

Comments of the council

A letter has been sent to the Local Government Department seeking advice on the next steps to be taken after the completion of the litigation proceedings for

Recommendation

Responsible officials should be identified and the outstanding lease amount and legal fees should be collected.

	<p>2019 after it was decided that the agreement signed regarding the lease was invalid. The appeal was also dismissed in 2023 after being presented to the Court of Appeal in this regard. Accordingly, the council had not been able to recover this outstanding amount from the lessee and had not taken action to recover the outstanding amount and the court fees paid by the council from the responsible officers for leasing the weekly fair without a valid agreement.</p>	<p>collecting the arrears of rent following the lease of the Wennappuwa Weekly Fair for the year 2001.</p>	
(b)	<p>Since December 2011, the Wennappuwa Multi-Service Cooperative Society has been operating the Coop City shopping mall in the Wennappuwa shopping complex without entering into a legal agreement and no rent had been paid since the beginning. At the end of the year under review, an arrears of Rs. 1,218,150 were to be collected and due to the absence of a legal agreement, legal action could not be taken.</p>	<p>Due to the non-payment of rent by the Coop City store to the Wennappuwa Pradeshiya Sabha, legal proceedings have been initiated to obtain an eviction order as the Wennappuwa Pradeshiya Sabha owns the land.</p>	<p>Actions should be taken to recover the arrears of rent and seize the property.</p>
(c)	<p>During the period 2021-2023, 05 lands were sold without obtaining approval for land subdivision. Accordingly, it was observed that lands located within the council area were being sold without approval and that the council's follow-up and action taken regarding land subdivision was at a weak level. As a result, the council had lost land plots to be received for public facilities and tax revenue to be collected on the sale of lands.</p>	<p>It has been requested that recommendations for resolution be obtained from the Urban Development Authority and submitted.</p>	<p>Proper supervision and follow-up should be carried out regarding the subdivision of land in the jurisdiction.</p>
(d)	<p>As at 31st December of the year under review, there was a balance of Rs.164,134,411 in 3 payable accounts of which Rs.46,637,321 had not been settled between 01 and 05 years.</p>	<p>The settlement of account balances due as of 31st December of the year under review is currently underway.</p>	<p>Action should be taken to settle the outstanding balances.</p>
(e)	<p>From the year 2017 to the year under review, a balance of Rs. 27,175,869 of 08 deferred receivable balances in the financial statements had not been settled.</p>	<p>Action will be taken to settle deferred receivables before preparing the final accounts for the coming year.</p>	<p>Action should be taken to recover deferred balances.</p>

3.2 Human Resource Management

Audit Observation	Comments of the council	Recommendation
(a) There were vacancies in one tertiary post and 06 secondary posts in the council, and 66 primary officers were redundant. Furthermore, a doctor had been employed on a contract basis for about 10 years for a senior post of Ayurveda doctor.	Although requests have been made for the vacant posts for several years, the vacancy has not been filled. A request has also been made in this regard in the new staff review report. The surplus Ayurveda officer post has been appointed to fill the vacancies of permanent Ayurveda officers on leave. The surplus employees have been employed since the number of health and labor posts approved by the council is not sufficient.	Actions should be taken to fill vacant positions and get surplus positions approved.
(b) Action had not been taken to recover Rs. 697,721, 90 percent, out of the Rs. 778,341 due at the beginning of the year under review from 18 officers who had left the service and retired.	Actions are being taken to recover the outstanding loans from officers who have left the service.	Action should be taken to recover outstanding loan balances.

4. Accountability and good governance

4.1 Environmental Issues

Audit Observation	Comments of the council	Recommendation
Environmental permits had not been obtained for one of the two locations established for the disposal of waste collected in the Pradeshiya Sabha area.	Work is underway to obtain an environmental permit for the Sendiriyamulla compost yard.	An environmental permit should be obtained for the compost yard.

4.2 Sustainable Development Goals

Audit Observation	Comments of the council	Recommendation
The Council had identified 08 Sustainable Development Goals and planned to implement 56 programs and activities to achieve those goals in the year 2024. About 98 percent of this progress had been achieved during the year.	Provisions are allocated through the annual budget of the Pradeshiya Sabha to achieve the objectives of 17 Sustainable Development Goals and programs are launched, and plans are being made to achieve the desired objectives in the year 2030.	Action should be taken to achieve the identified sustainable development goals.