

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Walallawita Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Statement of Assets and Liabilities as at 31 December 2024, Comprehensive Income Statement, Statement of changes in net assets/ equity, Cash Flow Statement 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 provisions in Sub-Section 10 (1) of the National Audit Act No 19 of 2018, Sub-Section 172 (1) of the 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 accompanying financial statements give a true and fair view of the financial position of the Walallawita Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 Sri Lanka Public Sector Accounting Standards for Local Authorities 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 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 skepticism 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

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

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Non-compliance with Sri Lanka Public Sector Accounting Standard for Local Authorities

Non-compliance with reference to relevant standard	The Comment of the Sabha	Recommendation
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| (a) The basis of preparation of the financial statements had been stated that the financial statements were presented in Sri Lankan currency, the functional currency which the financial statements were presented had not been clearly disclosed in accordance with paragraph 3.14 (c) of Chapter 3 of the standard. | The financial statements will be prepared correctly in the year 2025. | The financial statements should be prepared in accordance with the Sri Lanka Public Sector Accounting Standard for Local Authorities. |
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| <p>(b) In accordance with paragraph 3.32 (c) of Chapter 3 of the standard, in calculating the net cash flow from operating activities, capital grants amounting to Rs.1,289,543 recognized in the statement of comprehensive income had been added instead of being deducted from the surplus, and interest income Rs.249,699 was added instead of being deducted Rs. 298,181.</p> | <p>-Do-</p> | <p>The cash flow statement should be prepared in accordance with the Public Sector Accounting Standards for Local Authorities.</p> |
| <p>(c) As per paragraph 6.20 of Chapter 6 of the Standard, the depreciation method and depreciation rate used for each property, plant and equipment should be disclosed. However, the depreciation method and depreciation rates relating to computers and other infrastructure facilities had not been disclosed.</p> | <p>The financial statements will be prepared correctly in the year 2025.</p> | <p>The financial statements should be prepared in accordance with the Sri Lanka Public Sector Accounting Standard for Local Authorities.</p> |

1.6.2 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Due to Rent arrears amounting to Rs. 51,871 since year 2019 had not been accounted, the surplus and current assets in the financial statements were understated by that amount.	The financial statements will be prepared correctly in the year 2025.	Accounts should be prepared correctly.
(b) Although the value of capital grants to be recognized in income for the year under review should have been Rs. 10,850,022 according to the information provided by the Sabha, it was stated as Rs. 1,289,543 in the	Capital grant receipts register has not been maintained and that proper action will be taken in the future.	Capital grants should be accounted for correctly.

comprehensive income statement and an amount equal to the value to be depreciated from the capital grant receipts in the years 2020, 2021 and 2022 had not been recognized into income.

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| (c) | Due to adjustments relating to capital grant receipts had not been made since the year 2020, the balance of capital grants had not been correctly stated in the financial statements at the end of the year. | The corrective action will be taken when preparing the financial statements in year 2025. | -Do- |
| (d) | The annual depreciation for buildings, motor vehicles, machinery, computers, and library books for the year under review had been understated by Rs. 231,745 and depreciation of furniture had been overstated by Rs. 4,094. As a result, the surplus and fixed assets in the financial statements had been overstated by Rs. 227,651. | The relevant corrections will be made and the next financial statements will be presented. | The accounts should be prepared correctly. |
| (e) | In accordance with the Local Government Department Circular No. GD/2/DC/2020 dated 27th August 2020, the capital grant expenditure under Note No. 10 had not been prepared in accordance with the prescribed format. | Corrective action will be taken when preparing the 2025 financial statements | The accounts should be presented in accordance with the referred circular. |

- (f) Although the sabha owned only one ferry, the ferry had been depreciated annually at two values, Rs. 7,900,000 under motor vehicles and Rs. 6,000,000 under buildings, at 5 percent and 2.5 percent respectively.
- This is a printing error and will be corrected in the future
- Accounts should be prepared correctly.

1.6.3 Unreconciled Control Accounts or Reports

Audit observation	Comment of the Sabha	Recommendation
An unreconciled difference of Rs. 1,583,856 between the balances of 06 accounting subjects shown in the financial statements and the balances shown in the relevant schedules/ledgers had not been identified and corrected.	Steps would be taken to prevent printing errors and omissions in the future.	Steps should be taken to find out the reasons for the differences and correct them

1.7 Non-compliance with Laws, Rules, Regulation and Management Decisions

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below.

Reference to Laws, Rules, Regulation and Management	Non – Compliance	Comment of the Sabha	Recommendation
Public Administration Circular No. 02 /2018 dated 24th January 2018.	Had not prepared a human development plan including staff training	A human development plan for the year 2025 has been prepared and is being implemented.	Action should be taken as per the referred circular.

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 1,964,007 in contrast

with the excess of expenditure over revenue amounting to Rs. 13,572,596 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, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are as follows.

		2024				2023			
Source of Revenue		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)
(i)	Rates and Taxes	1,974,121	1,974,887	1,608,024	366,864	1,973,760	1,974,003	1,576,976	1,082,402
(ii)	Rent	7,873,989	8,088,389	7,610,807	477,582	8,279,090	6,696,958	6,127,950	586,618
(iii)	License Fees	1,110,000	1,451,137	1,441,198	9,940	276,500	408,752	406,752	2,000
(iv)	Other Revenue	50,000	108,679	108,679	-	581,000	941,070	923,130	17,940
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		11,008,110	11,623,092	10,768,708	854,386	11,110,350	10,020,783	9,034,808	1,688,960
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2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Sabha are given below.

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Rates and Taxes		
(i)	The rate tax arrears was Rs. 1,026,023 at the beginning of the year under review and Rs. 536,432 or 52 percent had not been collected during the year.	mobile programs are being implemented to recover the arrears of rates.	Action should be taken to recover the arrears of revenue expeditiously
(ii)	According to the rates tax time analysis, the arrears less than one years from 567 rates units was Rs. 67,143, 213 rates units from the period between 01 to 03 years was Rs. 92,895, 135 rates units from the period between 03 to 05 years was Rs. 152,481, 54 rates	-Do-	-Do-

units from the period between 05 to 10 years was Rs. 108,663 and 52 rates units had a arrears of more than 10 years was Rs. 211,722.

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| (iii) | The arrears of acreage tax at the beginning of the year under review were Rs. 63,034, of which Rs. 60,725 or 96 percent had not been recovered during the year. | The necessary information is being collected for approval to write off 32 unrecoverable properties. | -Do- |
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(c) Other Income

The court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2024 were Rs. 1,369,715 and stamp duty was Rs. 12,031,585.	That action will be taken to recover them in the future.	-Do-
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3. Operational Review

3.1 Identified Losses

Audit observation	Comment of the Sabha	Recommendation
Computers and devices amounting to Rs.751,884 had been given to the chairman destruction in the year 2022. Although it had been mentioned in auditor general's report in 2022 and 2023 an investigations had not been started in accordance with financial Regulation 104(1) to determine the responsible persons and amount of loss.	That requests have been made to the Local Government Department on 22.05.2023 and 01.04.2024 for investigate.	Action should be taken in accordance with financial regulations and recover the loss.

3.2 Operational Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) The arrears of rent of Rs. 56,637 from the beef stalls since year 2012 had not	Secretary had been informed about this.	Action should be taken to recover the

been collected in the year under review and the stall had remained idle without being re-tendered since that year.

arrears of rent and the stall should be re-tendered

- (b) Although the letter of the Acting Local Government Commissioner No. LGD/10 F/02/KAL/2024 dated 22 March 2024 had stated that the arrears of market tax of Rs. 51,872 from the year 2019 should be collected from the lessee or the officers responsible for non-collection and credited to the sabha fund, no action had been taken at the end of the year under review.
- The recovery of the money would be carried out expeditiously.
- The action should be taken as per the reference letter.

3.3 Idle or underutilized property, equipment and machinery

Audit Observation	Comment of the Sabha	Recommendation
The compactor worth Rs. 1,600,000 received by the Sabha as a donation from the Ministry of Local Government on 06 March 2015 has been idle since that date.	Since the vehicle is in a difficult condition to operate and due to the refusal of other councils to acquire it, it is lying idle in the office	Appropriate action should be taken regarding assets.

3.4 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) A cab had been idle since 04 years, a JCB machine and 02 other tractors have been idle since 07 years without repair.	as soon as the funds are received for the maintenance of the vehicles, they will be put into running order and used.	The vehicles should be repaired and utilized.
(b) 02 cabs used by the council had not been registered in the name of the council. The council should	The necessary steps are being taken to take them over in the name of the	The assets owned by the council should be taken over.

take them over in the name of the sabha.
sabha.

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| (c) | 18 cemeteries owned by the council had not been taken over to the sabha. | Steps will be taken over the cemeteries as soon as the annual survey is completed. | The assets owned by the council should be taken over. |
| (d) | Although there were 16 community halls owned by the council, only 05 community halls were listed with their values in the building register. | That the asset register will be updated and corrected in the future. | The assets owned by the council should be identified correctly and updated the documents. |
| (f) | It was observed that although Rs. 8,733,205 had been spent on the renovation of community halls, the expenditure was in uneconomical as community boards had not been established for over 05 years to oversee their maintenance. | It was stated that steps would be taken to activate the community boards once a permanent community development officer is appointed. | Community boards should be established and community halls should be entrusted to those committees. |

3.5 Human Resource Management

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| (a) | The total outstanding balance of Rs. 54,539 due from officers who left the service in the years 2012, 2017 and 2018 had not been collected in the year under review. | action will be taken to collect the outstanding balance in the future. | Action should be taken to collect the outstanding balance expeditiously. |
| (b) | Under the multi task basis two field workers assigned to the sabha in June 2023 had been deployed to other government institutions from 13 July 2023. However, at Rs. 579,600 each a | Totaling Rs. 1,159,200. That the amount spent on paying salaries has been reimbursed | The Sabha should not pay salaries to employees who are not working in the sabha. |

total sum of Rs. 1,159,200 had been paid to them as salaries during the year under review.

4. Accountability and Good Governance

4.1. Budgetary Control

	Audit Observation	Comment of the Sabha	Recommendation
(a)	The total amount of Rs. 600,000 allocated for 02 expenditure items for the year 2024 had not been utilized.	Since there was no Community Development Officer to prepare the work plan, the amount allocated remained.	Budget estimates should be prepared as per the requirement.
(b)	The total amount of Rs. 3,893,000 allocated for 04 expenditure items for the year under review, ranging from Rs. 400,000 to Rs. 1,075,000, remained at a level of 79 percent to 84 percent.	Accepted.	-Do-

4.2 Sustainable Development Goals

	Audit Observation	Comment of the Sabha	Recommendation
	In accordance with Section 12 of the Sustainable Development Act No. 19 of 2017, the Sabha was required to prepare sustainable development strategies and develop activities and indicators to measure its progress, but had not done so.	A sustainable development plan has now been prepared.	A Sustainable Development Strategy should be formulated together with indicators and activities to measure progress.