Wellawaya Pradeshiya Sabha - 2024
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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Wellawaya 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 Wellawaya pradeshiya sabha as at 31 December 2024, and of its financial performance 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 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 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 on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
As at 31st December of the year under review, Rs. 413,632 which should have been included in the stock balance, Rs. 312,646 which should have been shown under goods and fixtures and Rs. 816,219 which should have been shown under land and buildings, two tube wells constructed in the garbage yard were accounted for under machinery and equipment.	A committee has been appointed to make corrections and action will be taken according to the committee's recommendations.	Fixed assets must be accounted for correctly.

1.7 Non- Compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

All observations related to non-compliances with Laws, Rules, Regulations and Management decisions etc. be shown under this heading.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Pradeshiya Sabha Act No. 15 of 1987 Section 19(XII)	The Minister's approval had not been obtained when leasing 67 shops owned by the council for a period of 30 years.	It has been forwarded to the Provincial Commissioner for approval by the Governor.	The approval of the Minister must be obtained when leasing for a period exceeding 30 years.
(b)	Section 83(1) of the Urban Development Authority Act No. 41 of 1978	37 building plans approved from 2018 to 2020 had not been inspected and certificates of compliance had not been issued.	That step will be taken to issue certificates of compliance in the future according to the requests of building applicants.	Action should be taken in accordance with the Urban Development Authority Act.

(c)	Democratic Socialist Republic of Sri Lanka			
(i)	Financial Regulations 571	The general deposit amounting to Rs. 373,195 had not been settled.	That step will be taken to include general deposits that have been in existence for more than 2 years as income.	General deposits that exceed two years should be settled.
(ii)	Financial Regulations 770(4)	A vehicle owned by the council had been in an inactive state for more than 5 years.	Requests have been made to the Provincial Mechanical Director for repairs or disposal.	Proceedings should be made in accordance with Financial Regulations 770(4).
(d)	Paragraph 3.1 of Public Administration Circular No. 30/2016 dated 29th December 2016	A fuel combustion inspection had not been carried out on 02 machines owned by the council.	Fuel combustion testing will be conducted in the future.	Action must be taken according to the 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 31December 2024 amounted to Rs. 36,226,920 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 11,463,209 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

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

	Audit Observation	Comments of the Council	Recommendation
(a)	Out of the total revenue billed in the year under review of Rs. 80,087,607, Rs. 51,105,363 had not been collected by the end of the year, which was 64 percent of the total billed revenue.	That step will be taken to promptly recover the arrears of revenue.	Billed revenue should be collected within the year.
(b)	**Assessments and taxes**		
	As of January 01 of the year under review, there were outstanding assessments relating to previous years amounting to Rs. 20,569,339 and only 16 percent, that is Rs. 3,370,647, had been received during the year.	That step will be taken to promptly recover the arrears of revenue.	In accordance with the provisions of the Act, arrears of assessments should be collected promptly.

(c) Rent

(i)	As at 01st January of the year under review, there was arrears of rent of Rs. 7,726,030 and only 21 percent, that is Rs. 1,549,400, had been received during the year.	Legal action has been taken.	Arrears of rent should be collected promptly according to the agreement.
(ii)	As at 01st January of the year under review, the outstanding rent income relating to previous years was Rs. 7,436,065 and only 07 percent, that is Rs. 491,220, had been received during the year.	Tenants will be informed and legal action will be taken.	Arrears of rent should be collected promptly according to agreements.

(d) Other Revenue

(i)	As at 01st January of the year under review, the income from advertising billboards was Rs. 321,750 and none of that income had been collected during the year.	That action will be taken to recover it in the future.	According to the bylaws, arrears of revenue should be recovered promptly.
(ii)	The billed telephone transmission tower revenue for the year under review was Rs. 961,593 and only 08 percent, that is Rs. 33,000, had been recovered during the year.	That has been informed by letters.	According to the bylaws, arrears of revenue should be recovered promptly.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	Steps had not been taken to assess and account for 77 cemeteries and 05 lands that were not acquired by the council.	Attempts were made on several occasions to take over this, but the process was not completed for various reasons.	That step should be taken to assess and account for lands.
(b)	There are 42 shops belonging to the Wellawaya New Super Mall, of which 13 shops had a new valuation carried out in the year 2019. Due to the fact that the valuation was not implemented in the relevant year, the council had lost an income of Rs. 12,737,400 as of December 31 of the year under review.	The new assessment will be implemented from January 1, 2025.	New assessments should be implemented in the relevant year and steps should be taken to recover the lost revenue.

.2 Operational Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	As a formal record of street lamp posts was not maintained as of December 31 of the year under review, it was not possible to ascertain the number of street lamp posts in the jurisdiction and which street lamp posts were maintained.	That the instructions given during the audit will be followed.	Internal control weaknesses in street light maintenance should be avoided.
(b)	Although a newspaper advertisement was published in 2024 at a cost of Rs. 127,440 for the tendering of the council's property for the year 2025, It was observed that the Rs.127,440 spent on publishing the newspaper advertisement was a waste of money as the advertisement stated that tenders would be accepted only locally.	No answers provided.	Restrictive conditions should not be included when tendering for council-owned property.

3.3 Identified Losses

Audit Observation	Comments of the Council	Recommendation
The council had purchased 20W LED 700 bulbs for street lights through a price call for quotations at Rs. 2,590 each, while another council had purchased the same type of bulbs from the same supplier at Rs. 1,990 each during the same period, resulting in a loss of Rs. 420,000 to the council.	According to the prices offered, purchases will be made from the institution that offers the lowest price.	There should be no loss to the council fund when making purchases.

3.4 Procurement Management

	Audit Observation	Comments of the Council	Recommendation
(a)	Although a formal contract agreement should be signed for the purchase of goods and services exceeding Rs. 500,000 as per Section 8.9.1 (b) of the Procurement Guidelines, a contract agreement had not been signed for the purchase of electrical equipment worth Rs. 2,215,000.	That a formal contract agreement will be signed.	Procurement guidelines should be followed.

	Audit Observation	Comments of the Council	Recommendation
(b)	Procurement advertisements were published for the registration of suppliers in the year 2024 at a cost of Rs. 136,102 and the council had acted with the aim of awarding the relevant tender to a private institution for the purchase of tires and tubes without inviting bids from registered suppliers and with the aim of awarding the relevant tender to another institution for the purchase of street lights. Also, attention had not been paid to obtaining the prices in a manner that would protect the confidentiality of the prices submitted by each supplier.	That the goods were offered to those institutions as they had agreed to supply them on credit.	Quotations should be invited from registered suppliers and the quotations should be invited in a manner that protects the confidentiality of each supplier.

3.5 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
As of December 31st of the year under review, there was a shortage of 04 employees in accordance with the approved staffing for 04 posts in the Council.	The Department of Local Government has been informed in writing regarding staff vacancies.	Staff vacancies must be filled.

3.6 Contract Administration

	Audit Observation	Comments of the Council	Recommendation
(a)	The concreting of the side road leading to the Ranliya warehouse building, Phase I, under the Small Scale Agribusiness Participation Program of the Ministry of Agriculture, was awarded to the Etiliwewa Dahaiyagala Farmers' Organization on June 5, 2024 at a cost of Rs. 4,999,744, and an excess of Rs. 644,731 was paid under 03 work items.	The approved road rates for the year 2023 have been used and other deficiencies are being corrected.	The rates for the first quarter of 2023 cannot be used for contracts to be executed in June 2024 and the overpayment must be recovered. Also, the work that was not done must be completed promptly.
(b)	Under the above project, the concreting of the side road leading to the Ranliya warehouse building was awarded to the Parakum Farmers' Organization on 22 August 2024 under Phase II at a cost of Rs. 4,811,402 and an excess of Rs. 899,473 was paid under 06 work items.	The approved road rates for the year 2023 have been used and other deficiencies are being corrected.	The rates for the first quarter of 2023 cannot be used for contracts to be executed in June 2024 and the overpayment must be recovered. Also, the work that was not done must be completed promptly.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
When comparing the estimated income and expenditure according to the budget prepared by the Pradeshiya Sabha for the year under review with the actual income and expenditure of the year, there were variations ranging from 7 percent to 192 percent in 07 income subjects and from 31 percent to 92 percent in 05 expenditure subjects.	That steps will be taken to prepare the budget properly in the future.	Annual budget estimates should be prepared more realistically and efforts should be made to achieve those goals.