

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Walapane Pradeshiya Sabha for the year ended 31 December 2024 comprising with the Balance Sheet as at 31 December 2024 and Income and Expenditure Account, 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 sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and sub-section 10 (1) of 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 Walapane 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

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

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 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 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.

- 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.
- The financial statements presented includes all the recommendations made by me in the previous year except the audit matters of 1.6.1 (a) 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) The error of understating the employee loan balance as at the end of the previous year by Rs. 122,415 had not been corrected in the year under review.	Action will be taken to correct it.	Employee loans should be accounted for correctly.
(b) A motorcycle worth Rs. 125,000 had not been accounted for under fixed assets.	Action will be taken to correct it.	Accounts should be prepared correctly.
(c) Although the cost of supplies and equipment was Rs. 3,621,902 as per the ledger, it was shown as Rs. 3,943,359 in the income and expenditure account, which was overstated by Rs. 321,457.	Action will be taken to correct it.	Accounts should be prepared correctly.
(d) Although there was a stock of organic manure of Rs. 204,624 at the end of the year under review, it was recorded as Rs. 356,900, thereby overstated by Rs. 152,276.	Action will be taken to correct it.	Accounts should be prepared correctly.
(e) Although the total capital asset repair expenditure under each head as at the end of the year under review was Rs. 2,628,357, it was recorded in the Income and Expenditure Account as Rs. 2,160,801, thereby overstated by Rs. 498,996.	Action will be taken to correct it.	Accounts should be prepared correctly.

1.6.2. Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
When comparing the balances related to 06 account subjects shown in the financial statements with the corresponding record balances related to them, differences of Rs. 3,253,768 were observed.	Action will be taken to correct it.	Account balances should be reconciled with the relevant schedules.

1.6.3. Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
The total amount of Rs. 1,161,428 related to 05 subjects shown in the financial statements could not be satisfactorily examined during the audit due to non-submission of Projects files/documentary evidence.	Action will be taken to correct it.	Relevant documents and schedules supporting account subjects should be prepared and maintained.

1.7 Non- Compliances

Non-compliance with Laws, Rules and Regulations

Non-compliance with Laws, Rules and Regulations are as follows.

Reference to Non Compliance Laws, Rules Regulations		Comments of the Sabha	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987			
i. Section 52	Necessary action had not been taken regarding 38 unauthorized constructions identified during the year under review.	Necessary actions are being taken against unauthorized constructions.	Legal action should be taken against unauthorized persons.
ii. Sections 93 to 95	A gully service had not been maintained to properly clean all toilets and cess pits	Although requests have been made to those responsible through letters on many	Public services should be maintained

within the Sabha area during relevant time period. occasions to take the necessary steps to obtain a gully truck, no action has been taken yet. properly.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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| i | F.R. 189 | Necessary action had not been taken regarding 23 dishonoured cheques totaling Rs. 242,999 carried forward from prior in 2016. | Necessary further action will be taken. | Dishonoured cheques should be settled. |
| ii | F.R. 571 (3) | 15 lapse deposits totaling Rs. 795,446 relating to the period 2014 to 2020 had not been settled. | Necessary action will be taken to settle. | Lapsed deposits should be settled. |

(c) Local Government Commissioner Circulars

Circular No. 1988/22 dated 17th May 1988	Although a property valuation for assessment tax purposes should be carried out at least once every 5 years, a new valuation had not been carried out since the valuation conducted by Sabha in 2011	The necessary action had been taken to conduct a new assessment.	Assessment reports should be obtained and assessment tax collected within relevant time period.
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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 in 2024 amounted to Rs. 9,970,554 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 1,403,905 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 of the Sabha 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.

		2024				2023			
	Source of Revenue	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	5,782,000	7,596,628	8,032,092	2,573,493	3,027,000	5,401,063	5,658,278	3,008,958
(ii)	Rent	5,194,700	2,135,486	1,795,407	9,013,682	10,885,500	4,320,795	3,757,022	8,673,602
(iii)	License Fees	4,680,000	4,515,999	4,515,999	-	3,974,000	3,898,359	3,898,359	-
(iv)	Other revenue	17,930,000	15,751,224	6,953,719	11,933,004	8,500,000	3,055,990	9,370,627	3,135,499
	Total	33,586,700	29,999,337	21,297,217	23,520,179	26,386,500	16,676,207	22,684,286	14,818,059

2.2.2 Performance in Revenue Collection

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The total revenue arrears as at the end of the previous year were Rs. 14,818,059 and as at the end of the year under review the revenue arrears had increased by 61 percent to Rs. 23,802,066. Accordingly, revenue collection remained at a poor level.	It is expected to implement special programs to collect revenue in arrears.	Action should be taken to collect arrears of revenue.

(b) Rates

Out of the assessment tax arrears of Rs. 1,442,801 as at the end of the year under review, Rs. 195,157 due from 36 assessment premises for a period of between 01 to 05 years and Rs. 80,214 due from 60 premises for a period of more than 05 years had not been collected in accordance with Section 158 of the Pradeshiya Sabha Act.

Action will be taken to recover assessment tax in arrears.

It should act in accordance with the Act and collect arrears of revenue promptly.

(c) Rent

i Out of the rent arrears of Rs. 7,456,253 as at the end of the year under review, there was a balance of Rs. 2,640,005 from 10 stalls between 03 to 05 years and Rs. 1,827,498 from 16 stalls more than 05 years.

While efforts are being made to recover arrears Stalls rents, it has been impossible to recover the rents for the Ragala stalls due to the problem of securing/confirming ownership of the land.

Arrears of revenue should be collected promptly.

i. Rs. 361,855 due from 06 meat stalls and fish Stalls leased during the period from 2001 to 2019 in the Sabha area of authority and Rs. 887,934 due from 19 meat Stalls and fish Stalls leased during the period from 1987 to 2001 had not been collected by the last day of the year under review.

The collection has become a problem due to the lack of agreements, and that the authorities have been informed.

Contracts should be entered into with the tenants and arrears of revenue should be collected.

(d) Other Income

i. The rent of Rs. 566,207 due from the lessees of the Walapane and Ragala Sathipola had not been collected for more than 5 years and no legal action had been taken.

The facts will be investigated and necessary action will be taken.

Arrears of revenue should be recovered promptly.

ii. The total amount of Rs. 227,500 due from the lessees of the parking lots in the Sabha area had not been collected for more than 04 years.

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iii. As of the end of the year under review, the total rent of Rs. 688,200 from 02 public toilets provided on lease basis had not been collected for a period of 05 years.

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(e) Court fines and Stamp duty

The court fines and stamp duty due from the Chief Secretary of the Provincial Council and other officers as at 31st December of the year under review were Rs. 873,664 and Rs. 11,059,340 respectively.

Reminders will be sent and action will be taken to collect the revenue.

Income receivables should be brought in.

03. Operational Review

3.1 Fulfilment of functions assigned by the Act

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.

Audit Observation

Comments of the Sabha

Recommendation

Delays in completing tasks

Although Rs. 2,350,000 had been remitted to the Sabha through the letter of the Road Development Authority Project Engineer No. RDA/RXJM/RE/02-Com/09/01 dated 27 March 2023 for the construction of the Padiyapelella public toilet system, the relevant public toilet system had not been constructed by the end of the year under review and had been invested in fixed deposits for almost two years.

The money will be spent in the future to implement the desired project.

The project should be completed and utilized.

3.2. Identified losses

Audit Observation

Comments of the Sabha

Recommendation

(a) The responsible parties regarding the shortage of 300 1½ inch GI pipes (thickness 1.2 mm) worth Rs. 2,034,735 identified during the commodity survey for the year 2022 had not been identified and necessary action had not been taken.

A 104(4) investigation is being conducted by the Local Government Assistant Commissioner's Office in this regard.

Investigations should be conducted and damages should be recovered.

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| (b) | Although a F.R. 104 (4) investigation had been conducted regarding the payment of salaries totaling Rs. 752,400 to a technical officer who was due to retire in August 2016 for 18 months from the date due for retirement to March 2018, losses had not been recovered from the responsible parties as per its recommendations. | Action will be taken to recover the pension gratuity in accordance with the recommendations of M.R.104 (4). | Relevant investigations should be conducted and further action should be taken. |
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3.3 Management Inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	In accordance with the Central Province, Local Government Commissioner's Circular No. 2020/06 dated September 28, 2020, the surplus funds of the Sabha totaling Rs. 38,110,996 were invested in fixed deposits, , without taking steps to invest them in revenue-generating projects for the Sabha, projects to develop the properties of Sabha or projects to provide public amenities to the majority of the people.	In the future, efforts will be made to invest in projects that will provide public facilities to the majority of the people.	Surplus money should be used for regional development.
(b)	In relation to the salary fraud of Rs. 3,650,000 committed by an officer working in the Sabha, the relevant employee was suspended from work on 31 December 2021, but the disciplinary investigation process initiated against the officer had not been completed by the end of the year under review.	This investigation will be conducted by the Central Provincial Chief Secretarial office.	Investigations should be completed and disciplinary action should be taken.
(c)	Although the old building with 06 stalls owned by the Sabha had been renovated during the year under review at a cost of Rs. 1,713,500 it could not be used due to non-provision of water and electricity facilities at the end of the year under review.	A new assessment will be obtained and will be tendered for.	The necessary facilities should be provided and the stalls should be utilized.

3.4 Idle or underutilized Property, Plant and Equipment

	Audit Observation	Comments of the Sabha	Recommendation
(a)	A total of 16 vehicles and 04 machines and equipment worth Rs. 10,673,080 remained idle or underutilized during the period from 2010 to 2024.	While actions are being taken to repair vehicles that need to be repaired, and auction vehicles that are in an unusable condition.	Action should be taken to repair and utilize vehicles and to dispose of vehicles that need to be disposed of.
(b)	According to the letter of the Commissioner of Local Government bearing No. CPC/CLG/Miscellaneous dated 09 December 2022, school equipment purchased at a cost of Rs. 2,750,000 for providing assistance to school children with economic difficulties was stored idle in the office premises by the end of the year under review without being used for the intended purpose.	Necessary action will be taken in this regard in the future.	School equipment should be used promptly for its intended purpose.
(c)	One stall on the first floor of the Sathosa Stallping Complex building owned by the Sabha, located in Walapane town, has been closed and been idle since 2015, and a 367 square foot stall on the ground floor has been closed and been idle since June 2020.	It will be investigated and necessary action will be taken.	Stalls should be utilized effectively.

3.5 Human Resources Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	When comparing the approved staffing of the Sabha with the actual staffing as at the end of the year under review, there were 39 vacancies in 19 posts.	As a staff review is going on, no new recruitments will be made at present	Vacancies should be filled.
(b)	The total amount of Rs. 1,265,032 due from 31 employees who had transferred, left the service and were suspended had not been collected by the end of the year under review.	Action is being taken to recover employee loans.	Outstanding employee loans should be recovered.

