

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Weligepola Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and Statement of financial performance, Cash Flow Statement, Statement of changes in equity 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, 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 Weligepola Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting practices.

1.2 Basis for Qualified Opinion

I expressed qualified opinion on the financial statement based 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'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 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
(a)	Due to the under capitalization of Rs. 4,226,232 for the value of 04 constructions, the Non-Current Assets and Contribution from Revenue to Capital Outlay Account was understated by that value.	That step will be taken to correct the 2025 annual financial statements.	Capital expenditure must be accounted for correctly.
(b)	Due to the fact that the value of 08 computer chairs purchased in 2019 was capitalized by Rs. 709,200 more, the Non-Current Assets and Contribution from Revenue to Capital Outlay Account was overstated by that value.	That step will be taken to correct the 2025 annual financial statements.	Capital expenditure must be accounted for correctly.
(c)	The Non-Current Assets and Contribution from Revenue to Capital Outlay Account was overstated by Rs. 137,000 due to the value of a tractor trailer being capitalized twice.	That step will be taken to correct the 2025 annual financial statements.	Capital expenditure must be accounted for correctly.
(d)	No provisions had been made for audit fees for the year under review.	That arrangement will be made to settle the matter from the accumulated fund.	Provisions should be made for payable expenses.

(e)	Current assets and operating surplus were understated by Rs. 609,492 due to the general warehouse stock not being accounted for at the end of the year.	That steps will be taken to correct the 2025 annual financial statements.	Stock values must be accurately accounted.
(f)	Current assets and operating surplus were overstated by that amount due to the inclusion of water equipment worth Rs. 244,000 brought by a contractor for a water project in the closing stock.	Action will be taken to correct the 2025 annual financial statements.	Accounts must be reconciled correctly..
(g)	Due to the crediting of Rs. 108,000 of income for the year to the deposit account, the operating surplus was shown to be less by that amount and the current liabilities were shown to be more by that amount.	That step will be taken to correct the 2025 annual financial statements.	Income must be accounted for correctly.

1.7 Non- Compliances

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
In the Democratic Socialist Republic of Sri Lanka Financial REgulation 371(2)	The total advance amounting to Rs. 619,642, which had been given on 12 occasions from 2007 to 2022, had not been settled by the end of the year under review.	That necessary steps will be taken to settle unsettle advances promptly.	Financial regulations must be followed.

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 2024 amounted to Rs. 15,007,593 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 4,630,332 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 submitted by the Secretary, the following is the information on estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year.

Source of Revenue	2024				2023			
	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	11,647,648	13,178,059	13,409,263	5,260,485	11,793,364	12,465,218	12,109,948	5,542,701
Rent	11,097,160	11,147,744	10,588,768	806,632	9,150,546	10,091,636	10,279,253	243,196
License fees	1,550,000	1,645,950	1,496,763	155,187	1,400,500	1,540,350	1,660,350	6,000
Other Revenue	24,798,000	16,277,497	17,361,943	3,325,715	19,496,500	15,578,777	14,081,483	4,409,721
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	<u>49,092,808</u>	<u>42,249,250</u>	<u>42,856,737</u>	<u>9,548,019</u>	<u>41,840,910</u>	<u>39,675,981</u>	<u>38,131,034</u>	<u>10,201,618</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Council	Recommendation
The outstanding assessment balance of Rs. 1,555,391 as at the end of the year under review included 226 assessment units totalling Rs. 1,081,973 which were outstanding for more than 05 years.	Mobile programs and property prohibiting programs will be implemented to collect outstanding debts.	Action should be taken to collect the arrears of revenue.

3. Operational Review

3.1 Performing of Functions Enacted 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 below.

3.1.1 Solid Waste Management

Audit Observation	Comments of the Council	Recommendation
The compost production activities at the garbage yard, which was completed on 31st of December 2022 at a cost of Rs. 4,413,445, had not yet commenced by the end of the year under review, and efforts were being made to dig and dispose of the decomposing garbage collected daily.	The necessary steps are being taken to commence compost production activities.	Steps should be taken to start compost production activities.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
The fixed asset register relating to 02 asset subjects totaling Rs. 310,455,713 had not been updated and detailed schedules had not been prepared.	It will be updated correctly and presented in 2025.	The fixed asset register should be updated and detailed schedules should be prepared.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
Although it had been recommended that the water of 05 water projects, which were to serve 2034 water consumers, should be filtered as it was brackish and muddy, those recommendations had not been implemented by the end of the year under review. Also, the water charges of Rs. 1,729,180 due at the end of the year under review had not been collected by March 2025.	Proposals have been submitted to carry out water purification work after receiving provisions for new industries, and efforts are being made to recover the arrears amount.	Steps should be taken to purify and distribute water and recover the arrears.

3.4 Assets Management

Audit Observation	Comments of the Council	Recommendation
(a) 02 vehicles that were recommended for dispose on 01 st of June 2020 had not been disposed by the end of the year	After receiving the assessment committee report, the disposal can be carried out and the bicycle will be repaired. The	Repairs or dispose, and maintenance should be carried

under review, and 02 vehicles that were recommended for repair and running had not been repaired.

cab that was recommended for repair has been recommended to be repaired as it is not effective.

out not delay.

- (b) The shortage of 40 flagpoles worth Rs. 30,000 and 153 galvanized flagpoles worth Rs. 169,392 mentioned in the goods survey report for the year 2023 had not been take action.

The Provincial Council conducted an investigation into this matter, and further action can be taken as soon as the report of the investigation is received.

Financial regulations must be followed.