

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements Wariyapola Pradeshiya Sabha for the year ended 31 December 2024 comprising the balance sheet as at 31st December 2024 and the Income and Expenditure Account, Statement of changes in equity, 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 Wariyapola 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 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.

- 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 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 Policies

Audit Observation	Comments of the Council	Recommendation
Although assets had been should be classified and accounted for based on factors such as the existence, life time, value, and nature of the asset, items that could be identified as consumer goods were accounted for under fixed assets.	Accepted.	Correct accounting policies should be identified and accounted .

1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Due to the fact that the unreimbursed salary provisions of Rs. 164,480 relating to the previous year were not included in the financial statements of the year under review, the current assets balance had been understated.	Steps will be taken to correct the errors when preparing the financial statements for the year 2025.	Accounts must be prepared correctly.
(b) The amount of Rs. 541,518 incurred during the year under review for the establishment of the library in the Katupotha Multipurpose Building had not been capitalized.	That steps will be taken to correct the 2025 financial statements.	Capital expenditures must be accounted for correctly.

(c)	The value of the lands and buildings of Hettigedara Pre-School and Kohanegama Pre-School had not been assessed and included in the financial statements, and the expenditure of Rs. 879,800 incurred for those assets had not been capitalized during the year under review	Steps will be taken to correct the financial statements for the year 2025.	Capital expenditures must be accounted correctly.
(d)	Although the balance as per the Industrial Credit Schedule for the year under review was Rs. 73,786,192 it was accounted as Rs. 73,149,687 which was Rs. 636,505 less.	Kindly inform you that there was an error in balancing the general ledger and that steps have been taken to correct it in the 2025 financial statements.	Accounts must be prepared correctly.
(e)	Although the payment to creditors for the year under review was Rs. 56,764,440 as per the vote ledger it was accounted as Rs. 60,617,203 which is Rs. 3,852,763 more than the amount recorded.	The general ledger was based on P.S 13,14 to record expenses. The payment cash book was used to prepare P.S 13,14 and this change has occurred due to the monthly income and expenditure P.S 10 reports being compared to the main cash book.	Accounts must be prepared correctly.
(f)	An estimated amount of Rs. 1,126,474 had been recorded as a creditor in respect of 6 projects planned to be implemented through the budget proposals of the year under review but not implemented.	It has not been implemented as the Governor's approval has not been received.	Transaction should be recorded after completion.
(g)	An unsettled industrial debtors balance of Rs. 682,570 in the previous year had not been accounted	It was mistakenly included in the account for the year 2023 but not included in the debtor balance for the year 2024.	Debtors should be accounted correctly.
(h)	Without properly determining that he was a creditor, 10 unfulfilled industries, totaling Rs. 19,623,014 were accounted for as industrial creditors, including Rs. 2,174,656 for 08 industries in 2023 and Rs. 17,448,358 for 02 industries in 2022.	From the year 2025, only specifically identified creditors will be included in the financial statements when preparing the financial statements, and the errors that occurred will be corrected in the 2025 financial statements.	Industrial creditors must be properly accounted .

1.7 Non- Compliances

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

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Pradeshiya Sabha Act No. 15 of 1987			
	Section 134	Steps had not been taken to declare the developed areas in order to obtain the maximum assessment tax amount for the local government institution.	Efforts will be made to announce the areas that have been developed in the future.	Must act according to the Laws, rules.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
	F.R.571	Action had not been taken in accordance with the Financial regulations regarding 43 deposits exceeding 02 years, worth Rs. 499,527.	That the necessary steps are being taken to obtain the approval of the Finance Committee and credit the funds to the council's income.	Financial regulations must be followed.
(c)	Pradeshiya Sabha (Finance and Administration) Rules, 1988			
	Rule 218	An annual survey of fixed assets including land and buildings had not been conducted.	At the time of the audit, a survey of fixed assets including land and buildings was being conducted and steps were being taken to complete it expeditiously.	The Pradeshiya Sabha (Finance and Administration) rules should 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 31st December 2024 amounted to Rs. 153,859,740 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 13,317,548 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

The information regarding estimated revenue, billed revenue, collected revenue and arrears of revenue submitted by the Secretary for the year under review and the previous year is shown below.

Source of income	2024 Year				2023 Year			
	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.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(i) Rates and Taxes	12,110	10,066	6,243	3,822	10,423	9,128	6,873	2,254
(ii) Rent	26,653	16,915	16,733	182	31,462	13,344	13,204	140
(iii) License fees	2,253	395	393	2	2,205	2,348	2,348	0
(iv) Other Revenue	123,865	208,967	40,832	168,134	134,540	50,656	131,158	0
Total	164,881	236,343	64,201	172,140	178,630	75,476	153,583	2,394

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Council are given below.

Audit Observation

Comments of the Council

Recommendation

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| <p>(a) Although the billed revenue for the year under review was Rs. 236.34 million, the revenue collected, including the arrears of the previous year, was Rs. 64.2 million, resulting in arrears of Rs. 172.1 million as on 31st December of the year under review.</p> | <p>No comments.</p> | <p>Action should be taken to collect the outstanding revenue.</p> |
| <p>(b) Although the expected revenue to be collected in the year under review was Rs. 164.8 million, Rs. 236.3 million was billed. Accordingly, Rs. 71.5 million or 43 percent more than the estimated revenue was billed.</p> | <p>No comments.</p> | <p>Estimates should be prepared on a realistic basis.</p> |

(c) Rates and Taxes

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| (i) | As at 31 st December 2024, 54 percent of the total assessment arrears of Rs.3,947,226 were arrears dating back to before 2023 and the Council had not taken steps to recover those arrears. | Mobile programs and property prohibited programs were implemented to collect arrears in 2024. | Steps should be taken to recover arrears of assessments. |
| (ii) | The total number of assessment units for which the council levies assessments was 4698 and arrears of assessments were due on 1782 units. | No comments. | Outstanding balances should be recovered promptly. |

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 Performing of Functions Enacted by the Act

Audit Observation	Comments of the Council	Recommendation
By-laws were enacted to carry out 30 key matters under Section 126 of the Pradeshiya Sabha Act. As at 31 st December 2024 by-laws had already been enacted in respect of 01 matter. The council is not in a position to verify whether it has been duly approved and gazetted.	Necessary steps will be taken to enact by-laws in the future as required.	Bylaws should be enacted and implemented to cover the affairs of the council.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Action had not been taken to recover an arrears of tax balance of Rs. 738,444 which was more than 05 years old, and to settle the outstanding balance of Rs. 1,677,345 which was more than 05 years old.	Necessary steps have been taken to settle tender and contract deposits that are over 5 years old.	Action should be taken to settle balances payable and recover balances receivable.

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| (b) | An appropriate action had not been prepared and implemented to follow up on building applications rejected by the council for various reasons and to investigate whether or not the construction had been carried out. | Necessary steps will be taken in the future to follow up on rejected building applications. | Follow-up activities should be carried out and the process should be formalized. |
| (c) | It was observed that the biogas unit owned by the council has been in a non-functional state since 2021 and that the council has not paid attention to repairing and effectively using the unit. | The assistance of a trained officer is required to renovate the biogas unit and assistance has been requested in writing from the Department of Local Government. | Assets should be utilized effectively. |

3.3 Idle or underutilized Property, Plant and Equipment

	Audit Observation	Comments of the Council	Recommendation
(a)	The assets of the 08 shops at Padeniya Gimana hala which had been completed at a cost of Rs. 5,310,070, the equipment of the concrete production project, the shops at the Katupotha Multipurpose Building and the Wariyapola New Public Market Complex, remained idle assets even as of the year under review.	Currently, tendering is being carried out for the shops in the Katupotha Multipurpose Building, and since the equipment for the concrete production project is inoperative, arrangements are being made to auction it.	Assets should be utilized effectively.
(b)	The council had constructed shops on land for which ownership had not been transferred and had paid Rs. 916,689 in rent from the year 2018 to 31st December of the year under review.	The Padeniya Gimana hala has been built as a place of rest for devotees on pilgrimage to Anuradhapura and construction work has been carried out on a lease agreement for a period of 10 years. Since there is no suitable land in the city center, this land belonging to the Padeniya Rajamaha Viharaya has been selected and improved.	Action should be taken to resolve the ownership of the land.

3.4 Assets Management

Audit Observation	Comments of the Council	Recommendation
(a) There were no formal surveys of the lands owned by the council, identification of the lands and buildings, and no measures to establish fence boundaries to confirm their physical existence.	A survey is being conducted regarding the lands and buildings owned by the council.	Steps should be taken to properly ensure the security of assets.
(b) Action had not been taken to acquire 143 land, buildings and cemetery units owned by the council.	Despite repeated requests and inquiries to the Divisional Secretariat to acquire these lands and buildings, the transfer has not yet been carried out.	The ownership of the assets should be transferred to the council.
(c) The number of public wells located in the council area was 329, but the number of public wells that were under the ownership of the council was only 85.	That the acquisition of public well rights is underway.	The ownership of the assets should be transferred to the council.

3.5 Defects in Contract Administration

Audit Observation	Comments of the Council	Recommendation
Work on 08 industries with a total value of Rs. 32 million had not commenced during the year under review.	Two industries have been started so far, while work on four industries has not yet begun.	These industries must be completed quickly.

3.6 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
(a) (i) 54 employees were employed in excess of the approved carder of the Council and Rs. 1,140,150 had been paid as salaries and allowances in the year under review for 15 employees recruited on casual, substitute, contract or daily allowance basis.	The number of development officers attached to this institution, which is part of the staff of the Department of Local Government, is 37. The number of posts recruited under Pub.Ad. Circular 25/2014 but not yet approved in the Department of Management is 17. Accordingly, the total surplus was 54.	Recruitment should be made with approval according to service requirements.

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| <p>(ii) 05 employees recruited under Public Administration Circular No. 25/2014 were deployed in office work without being assigned to the duties related to the prescribed posts, and 22 employees were recruited without the approval of the Department of Management Services.</p> | <p>That 05 employees recruited under Pub.Ad. Circular 25/2014 were employed for office work, considering their qualifications and experience, based on the service requirements, and that all employees recruited under the circular have now been made permanent.</p> | <p>Recruitment should be made with approval according to service requirements.</p> |
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4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
There was a variation of 15 to 160 percent between the estimated and actual revenues of 04 revenue items and a variation of 20 to 221 percent between the estimated and actual expenditures of 07 expenditure items. Accordingly, it was observed that the budget document was not being used as an effective management control tool.	Efforts will be made to prepare the budget by considering these reasons when preparing estimates in the future.	Estimates should be prepared and implemented on a realistic basis.