

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Welikanda Pradeshiya Sabha for the year ended 31 December 2024 comprising the Statement of assets and liabilities as at 31 December 2024 and the 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 Welikanda 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**

I expressed qualified opinion 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

National Audit Act, No. 19 of 2018 includes 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 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 Non-Compliance with Sri Lanka Public Sector Accounting Standards for Local authorities

Non Compliance with the reference to particular Standard	Comments of the Sabha	Recommendation
Although schedules should be prepared and submitted showing the cost, accumulated depreciation, annual depreciation and net value of each asset as of the last day of the reporting period in accordance with Standard No. 6.20, the schedules had been prepared and submitted showing only the net value of the assets.	That will act accordingly in the future.	Sri Lanka Public Sector Accounting Standards should be followed.

### 1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Due to the non-capitalization of the advance payment of Rs. 8,200,000 paid on 27th of January 2023 in relation to the Suriyawewa Drinking Water Project constructed under the Local Development Support Project (LDSP), the building value and capital grant value were understated by that amount, and on the basis of the depreciation calculated in relation to that, the comprehensive income statement was understated by Rs. 410,000.	That it will be corrected by journal entries Nos. 02 and 03.	Should be accounted correctly.
(b) The value of 07 asset items purchased in the year under review, amounting to Rs. 437,444, had not been accounted for under property, plant and equipment.	That it will be corrected by journal entry number 06.	Should be accounted correctly.

### 1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the failure to submit relevant documents, schedules and balance confirmations for 03 accounting items with a total value of Rs. 10,505,921 it was not possible to satisfactorily examine them during the audit.	That will be correct.	Sufficient audit evidence must be provided to verify the account balances.

## 1.7 Non- Compliances

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

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions etc as follows.

Reference to Non-compliance Laws, Rules Regulations and Management Decisions etc.	Comments of the Sabha	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
F.R. 571	Action had not been taken in accordance with the F.R. regarding overdue deposits worth Rs. 307,996.	A written notice has been sent requesting the release of the money paid for the security deposit. Must act in accordance with the F.R.

## 2. Financial Review

### 2.1 Financial Result

According to the Financial Statements presented, excess of expenditure over Revenue of the Sabha for the year ended 31 December 2024 amounted to Rs. 12,714,416 as compared with the excess of expenditure over revenue amounted to Rs. 17,020,208 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 estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

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.
(i)	Rates and Taxes	1,819,100	1,580,110	1,408,660	1,205,140	1,245,500	1,191,930	1,061,210	1,033,690
(ii)	Rent	8,319,308	8,733,296	9,700,416	3,154,322	6,298,283	6,244,491	7,583,302	4,121,442
(iii)	License fees	629,000	424,200	367,400	286,800	579,750	333,155	333,035	397,995
(iv)	Other Revenue	48,197,757	25,874,077	23,042,455	12,784,299	41,699,407	19,238,827	18,337,142	9,952,677
		=====	=====	=====	=====	=====	=====	=====	=====
		58,965,165	36,611,683	34,518,931	17,430,561	49,822,940	27,008,403	27,314,689	15,505,804

### 2.2.2 Performance in Revenue Collection

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

	Audit Observation	Comments of the Sabha	Recommendation
<b>(a) Taxes</b>			
(i)	Action had not been taken to recover the outstanding garbage tax revenue of Rs. 284,950 as on the opening date of the year under review during this year as well.	That the cut off will be made after obtaining the approval of the Governor.	Action should be taken to recover the arrears of revenue.
(ii)	As at 31 <sup>st</sup> December of the year under review, industrial taxes of Rs. 295,250 and business taxes of Rs. 624,940 were outstanding.	That action is being taken to collect the amount from the relevant person.	Action should be taken to recover the arrears of revenue.
<b>(b) Rent</b>			
(i)	Of the Rs. 5,031,046 in rent revenue that should have been collected in the year under review, the revenue collected was only Rs. 2,934,030 that is 58 percent, and the outstanding rent revenue as of the last day of the year under review was Rs. 2,097,016.	That action being taken to promptly collect the outstanding amounts.	Action should be taken to recover the arrears of revenue.
(ii)	The outstanding rental income from the 36 shops in Sevanapitiya as at 31 <sup>st</sup> December	That work is underway to update the agreements.	Action should be taken to formalize agreements and

	2024 was Rs. 1,440,636 of which 05 shops had been sub-leased.		recover outstanding rent.
(iii)	There is an arrears of Rs. 919,456 as at the end of the year under review in relation to properties leased on annual tenders, and that deficit arose between the years 2001 - 2023, but action had not been taken to settle it by the end of the year under review.	It has now been decided to collect the money from those who have deposited security to offset the outstanding amount and to send head of demand to the remaining individuals and take legal action.	Action should be taken to recover the arrears of revenue.
<b>(c) Other Revenue</b>			
(i)	The court fines receivable from the Chief Secretary of the Provincial Council and other authorities as of December 31, 2024 were Rs. 36,743,100 and stamp duty was Rs. 6,430,940.	Project proposals have been submitted and requests have been made for that money in relation to court fines and stamp duty.	Efforts should be made to obtain sabha revenue without delay.
(ii)	A survey of advertising billboards had not been conducted for the year under review, and although a large number of permanent and temporary advertising billboards were observed in the sabha area, no internal control system had been adopted to regulate those billboards.	A billboard survey was conducted for the year 2024, but it was not prepared as a report.	Internal control procedures should be followed to regulate billboard revenue.
(iii)	The outstanding billboard revenue to be collected as at the last day of the year under review was Rs. 286,800.	That action will be taken to recover fees for billboards.	Action should be taken to recover the arrears of revenue.
(iv)	The revenue of Rs. 150 per 01 cube of sand charged by the sabha for transporting sand using the roads of the Pradeshiya Sabha had not been identified and collected for the year 2024.	Information about the businessmen who obtained mining licences in the years 2024 and 2025 has also been obtained from the G.S.M.B. Institute, and the Welikanda and Manampitiya police stations have also been informed to provide that list to the police stations and have the receipts of the money paid to the Pradeshiya Sabha checked.	Action should be taken to recover the relevant fees.

### 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.

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
By-laws had not been enacted regarding 06 main functions for which by-laws were to be enacted under Section 126 of the Pradeshiya Sabha Act.	By-laws have been prepared for the relevant functions, but they have not been passed by the Provincial Council.	Action should be taken to enact by-laws.

#### 3.2 Identified Losses

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
The financial fraud that was to be recovered from the suspended Revenue Inspector in the year 2022 by the Welikanda Pradeshiya Sabha was Rs. 1,984,605, and by the last day of the year under review, the sabha was still due to receive a further Rs. 385,005 of that amount.	That the amount will be recovered in the future.	Action should be taken to recover the outstanding amount.

#### 3.3 Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) Since wild elephants frequently visit the Ruhunuketha Water Project site, the sabha's attention had not been drawn to the safety measures that should be taken to protect the workers and property of the water projects.	That action is being taken to obtain the necessary provisions to construct an elephant fence.	Action must be taken to protect the property of the sabha.
(b) Although the Capacity Development of Local Government Project (CDLG) had surveyed roads using GPS technology, no steps had been taken to gazette them and prepare a road inventory.	It is hereby informed that this project has been stopped at this stage as the Hon. Governor has not yet given orders for this, and that as soon as the said	Action should be taken to gazette and prepare a road inventory.

approval is given, the necessary steps will be taken to publish the roads owned by this local government through a gazette notification.

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| (c) | The construction of 04 libraries, which were started under the Rural Electronic Library Project implemented by the Ministry of Local Government in the Polonnaruwa District in 2021, had not been completed by the end of the year under review. | That work will be done to complete it in the future. | Must be completed and used. |
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### 3.4 Assets Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Action had not been taken to acquire the ownership of the lands on which 68 buildings owned by the Pradeshiya Sabha are situated and to identify and account for the value.	Since the Mahaweli Authority has not yet responded positively to requests made in writing, the request has been made again through the Assistant Commissioner of Local Government in a letter dated on 8 <sup>th</sup> of April 2025.	Action should be taken to take over and account for it.
(b)	Action had not been taken to transfer the ownership of 16 cemeteries and 23 sports ground located within the Pradeshiya Sabha authority area to the Pradeshiya Sabha.	Since the Mahaweli Authority has not yet responded positively to requests made in writing, the request has been made again through the Assistant Commissioner of Local Government in a letter dated on 8 <sup>th</sup> of April 2025.	Action should be taken to take over and account for it.

### 3.5 Human Resources Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	As at 31 <sup>st</sup> of December 2024, there were 10 employee vacancies in the approved staff of the Pradeshiya Sabha and one employee had been deployed as a casual and substitute.	Future plans to fill the vacancies have been referred to the Department of Local Government.	Action should be taken to fill the vacancies.



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| (b) | Although the Pradeshiya Sabha carried out the maintenance of 04 water projects, the position of water meter reader was not among the approved staff and the sabha had the water meter reading activities carried out by employees in the road labour positions. | Applications have been made for 04 meter reading positions for the upcoming staff restructuring plan.   | Action should be taken to revise the approved staff.   |
| (c) | 17 officers serving in various positions in the Pradeshiya Sabha had been performing duties in positions other than their regular positions for a period of 1 to 16 years.  | Since staff restructuring is to be carried out, our proposals for that have already been submitted.   | Action should be taken to revise the staff.  |
| (d) | Action had not been taken to recover the outstanding balances of Rs. 322,092 of 05 deceased, suspended and left from service in accordance with Sections 4.4, 4.5 and 4.6 of the Establishments Code.   | It is stated that steps have been taken to recover the loan amount of the deceased officer from his gratuity and that steps have been taken to cut off the remaining loan balance under the provisions of 04 and 05 of State Finance Circular No. 01/2024/01 dated 29 May 2024. | Action should be taken to recover outstanding balances or cut off after obtaining proper approval. |

## 4. Accountability and Good Governance

### 4.1 Annual Action Plan

#### Audit Observation

Out of the 57 development project proposals outlined in the annual action plan by the sabha, 31 projects had failed to be implemented during the year under review.

#### Comments of the Sabha

Efforts will be made to implement the estimates prepared in the future.

#### Recommendation

Actions should be taken according to the annual action plan.

### 4.2 Internal Audit

#### Audit Observation

Although an Internal Audit Officer was appointed and a report was submitted to the General Assembly at the end of every month in accordance with 1.3 of the North Central Local Government Commissioner's Circular No. 4/2015 dated on 18<sup>th</sup> of March 2015, sufficient internal audit had not been conducted and support had not been provided to carry out the functions and tasks of the institution.

#### Comments of the Sabha

Internal audit is currently being implemented properly and the reports submitted are being submitted for audit.

#### Recommendation

Action should be taken according to the instructions in the circular.

### 4.3 Environmental Problems

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Approximately 250 tons of biodegradable waste collected in 2024 was disposed of at the Ethugala garbage yard without producing compost using the biodegradable waste collected by the Welikanda Pradeshiya Sabha.	It has been agreed to provide biodegradable waste to the new waste management center to be built at the Damba Gaha Ulpatha of the Dimbulagala Pradeshiya Sabha in the future.	A formal solid waste management program should be implemented.

### 4.4 Sustainable Development Goals

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
The Pradeshiya Sabha had not identified and implemented sustainable development objectives, programs and criteria as per the regulations of the Sustainable Development Act No. 19 of 2017.	That work will be done in the future.	Action should be taken in accordance with the provisions of the Act.