

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Warakapola Pradeshiya Sabha for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial operations, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Subsection 172(1) of the Pradeshiya Sabhas Act, No. 15 of 1987 and provisions of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Warakapola Pradeshiya Sabha as at 31 December 2022, and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 Principles 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 Sub-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 to be prepared of the Sabha.

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the 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 exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a

basis for the expressed audit 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.

- An understanding of internal control relevant to the audit was obtained 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 the Sabha's internal control.
- Evaluate the 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.
- 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 Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Institution;
- Whether the Sabha has performed according to its powers, functions and duties; and
- Whether the resources of the 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 presented by the Pradeshiya Sabha are 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 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Allocations had not been done for the money amounting to Rs.15,705 which was paid in the year 2023 relating to the year 2022.	Failure to rectify	Should be brought to accounts accurately.
(b) A sum of Rs.50,654,679 receivable from the Provincial Council for 97 industries and payable to the contractors had been brought to accounts as debtors and creditors.	Will be corrected in the year 2023	Should be brought to accounts accurately.
(c) An asset amounted to Rs.16,600,229 which had been capitalized in the year 2021, had been omitted from accounts in the year 2022.	Action will be taken to bring to accounts again.	Should be brought to accounts accurately
(d) A sum of Rs.552,334 which was received for road development had been shown under deposits further more, being paid to the contractors.	Will be rectified by the final account 2023	Action should be taken to rectify accounts.
(e) Twelve industries amounted to Rs.6,098,247 which had not been fulfilled in the year under review and an industry of Rs.781,346 which was cancelled had been shown under creditors.	Will be omitted from creditors' register.	Action should be taken to rectify accounts.
(f) A sum of Rs.2,299,593 which was received in previous years and the year under review had been brought to accounts as general deposits without being brought to the revenue in each year.	If owners not presented, it will be brought to the revenue.	Action should be taken to rectify accounts
(g) Until recovery of the deficiency of goods amounting to Rs.27,023, it had not been brought to accounts as receivable.	Action will be taken to recover in due course.	Action should be taken to recover.

**1.6.2 Non-reconciled Control Accounts
Audit Observation**

A difference of Rs. 59,128,143 was existed in reconciling the balance of 15 items of accounts according to the financial statements at the end of the year under review , with subsidiary documents

Comment of the Sabha

Action will be taken rectify these differences which has been existed from a long period.

Recommendation

Financial statements can be reconciled with source documents.

1.6.3 Lack of Written Evidence for Audit

Audit Observation

Schedules had not been presented for 06 items of accounts totaling of Rs.63,564,893.

Comment of the Sabha

Schedules are being prepared. Schedules have not available for 03 subjects of deposits.

Recommendation

Schedules should be presented.

1.6.4 Transactions not confirmed by adequate Authority

Audit Observation

- (a) A sum of Rs.74,800 had been spent for Minister’s letter heads from the fund of the Sabha, contrary to Section 19 of the Pradeshiya Sabha Act, No.15 of 1987.
- (b) Even though legal provisions has not been allocated for providing loans for public agents from the funds of the Sabha., a sum of Rs.350,000 had been given as loans for 14 councilors in the year 2022 .

Comment of the Sabha

- Providing in such manner for make easy of their community service.
- Advances provided in the year 2022 and it has been recovered by five installments within the year 2022 .

Recommendation

- Action should be taken in terms of the Act.
- Action should be taken in terms of Pradeshiya Sabha Act.

1.7 Non-compliances

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

Instances of Non-compliances with Laws, Rules, Regulations, and Management Decisions are as follows.

Reference to Laws, Rules, and Regulations, etc.

Financial Regulations of the Democratic Socialist Republic of Sri Lanka.
i. FR 371

Non-compliance

Advances amounting to Rs.72,845 in the years 2021 and 2022 had not been settled even in the year under review.

Comment of the Sabha

The same advances had not been settled.

Recommendation

Action should be taken interms of Financial Regulations.

- ii. FR 571 Ten deposits amounting Action will be taken Action should be taken
to Rs.304,822 relevant to according to the in terms of Financial
the years 2017 and 2020 Financial Regulations. Regulations.
had not been disposed .

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 8,418,099 as at 31 December 2022 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.36,951,441

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Outstanding Revenue

According to the information presented, the information on estimated revenue, billed revenue, collected revenue and revenue in arrears relevant to the year under review and the preceding year are given below.

Source of Revenue	2022				2021			
	Estimated Revenue Rs	Billed Revenue Rs.	Collected Revenue Rs.	Total arrears as at 31 December Rs.	Estimated Revenue Rs.	Billed Revenue Rs.	Collected Revenue Rs.	Total arrears as at 31 December Rs.
Rates and Taxes	9,045,000	8,180,704	7,509,631	4,613,492	9,197,000	8,051,768	8,617,567	4,316,982
Rents	26,806,647	12,164,136	12,110,967	839,276	19,000,000	10,047,850	9,022,362	1,634,754
License Fees	3,549,100	1,286,595	1,320,145	2,950	4,825,100	1,869,158	1,872,958	36,500
Other Revenue	<u>9,030,000</u>	<u>10,943,014</u>	<u>8,086,126</u>	<u>508,043</u>	<u>9,244,000</u>	<u>11,224,433</u>	<u>8,726,473</u>	<u>352,060</u>
Total	<u>48,430,747</u>	<u>32,574,449</u>	<u>29,026,869</u>	<u>5,963,761</u>	<u>42,266,100</u>	<u>31,193,209</u>	<u>28,239,360</u>	<u>6,340,296</u>

2.2.2 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
A sum of Rs.5,094,991 was due from the items of revenue such as rates, acreage tax and stall rents as at 31 December 2022 . That value included a balance amounting to Rs.2,297,337 over due between 01 year to 05 years and another balance amounting to Rs.2,507,454 over due for more than 05 years .	Action will be taken to recover the arrears by the activities such as seizing of property, issuing warrants.	Action should be taken to recover revenue in arrears immediately.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
a) A sum of Rs.74,747 recorded erroneously in 02 bank accounts had not been settled and Rs.70,897 out of that was older than 11 years.	Action has been taken to rectify	Action should be taken to rectify errors.
b) Seven roads had been developed by spending Rs.740,562 in the year under review, without selecting roads according to the order of the priority register based on the community requirements, as per the Provincial Council Circular No.05/2010.	Developments has been done by tabling proposals which were forwarded based on the priority given by the public agents in rural level.	Action should be taken in accordance with the relevant circular.
c) Balances amounting to Rs.15,305,093 between 01 year to 05 years, Balances amounting to Rs.1,011,286 more than 05 years existed within the creditors balance amounting to Rs.25,999,860 according to the financial statements at the end of the year under review.	Action will be taken to omit from the register immediately by adjusting from the account by enquiring whether it is suitable to omit the existing creditors balance.	Action should be taken to settle the creditors balances in arrears
d) 17 lands, a tractor, a trailer and a bobcat machine in the fixed assets register, had not been brought to accounts.	Action will be taken to brought to accounts.	Should be brought to accounts accurately
e) The deficiency in 30 flag poles and the value of 529 flag poles had not been brought to accounts.	Will be brought to accounts in the year 2023	Action should be taken to rectify accounts.

3.2 Operating Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
a) It was failure to affirm the accuracy of the 7825 km ran within the period from January 2021 to March 2022 in which the period the mile meter of the three wheeler belonging to the Sabha was not functioned.	Action has been taken to fix new meter by this time.	Accuracy of 7825 km should be affirmed.
b) Even though according to the Local Authority Reform Circular No.11/2010, the machineries which can earn income should not be given free of charge, 747 machineries	Action will be taken to adjust the income after calculating the value according to an estimate consequent to pointed out by audit,	Action should be taken in accordance with circulars.

which can approximately earn Rs.3,361,500 had been given free of charge as per the instructions of the Chairman. As such, the gate reports on the departure and arrival of the backo machine had not been maintained.

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| c) The gully bowzer which was received in the year 2016 is remained un used condition without being earned income up to December 2022 , due to un availability of a suitable place to dispose waste. | A place to dispose gully is not available in the Sabha up to date. | A place to recycle the gully waste should be constructed. |
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3.3 Assets management Audit Observation

Comment of the Sabha

Recommendation

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| d) It was failure to affirm the accuracy of the 7825 km ran within the period from January 2021 to March 2022 in which the period the mile meter of the three wheeler belonging to the Sabha was not functioned. | Action has been taken to fix new meter by this time. | Accuracy of 7825 km should be affirmed. |
| (a) 653 goods including dust bins amounted to Rs.267,300 was remained idle from the period more than 02 years. | Dust bins will be distributed , other goods are kept in the stores for maintaining requirements. | Goods should be utilized efficiently. |
| (c) No any action taken for the houses constructed without permission in 02 lands 01 acre and 10 perches in extent . | Future action is being taking in this connection. | The security of the assets belonging to the Sabha should be affirmed. |
| (d) The lands belonging to the Sabha which the Warakapola clock tower and digital hoarding are located , had not been included into the fixed assets register. | Will be included into the assets register immediately after the receiving of government valuation. | The lands belonging to the Sabha should be included into the Fixed assets register. |

3.4 Procurement

Audit Observation

Comment of the Sabha

Recommendation

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| Four tyres at a value of Rs.348,000 had been purchased on the approval of the Sabha without calling any tender . | All purchases to be done in the future will be taken only on calling proper tender . | Action should be taken in accordance with tender procedure. |
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3.5 Human Resource management
Audit Observation

Comment of the Sabha

Recommendation

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| (a) Instead of deploying qualified pre - school teachers according to the recruitment scheme of pre-school teachers, two labourers had been attached to the same posts. | Vacancies in two posts of pre –school teachers were not filled. | Pre-school teachers should be deployed in the service on the eligibility. |
| (b) In the approved cadre, 25 vacancies and excess of one post were existed as at 31 December 2022. 22 labours had been recruited by exceeding the approved number of labourers and 18 persons included in the approved cadre had been deployed in other duties instead of the duties to be deployed. | Employees has been recruited on labour basis with required approval. For carrying out specific duties continuously and without interruption, the labourers who are having special skills and qualifications have been attached for the posts vacant . | Action should be taken to fill the vacancies as required. |
| (c) Loan balances amounting to Rs.117,339 more than one year to 24 years recoverable from 08 officers who were deceased, transferred out, suspended and vacated posts as at 31 December 2022 , had not been recovered. | Actions are being taking for the recovery of those loan balances. | Employee loan balances in arrears should be recovered. |