

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Walapane Pradeshiya Sabha for the year ended 31 December 2022 comprising the balance sheet as at 31 December 2022 and the income and expenditure account, and other explanatory information, including a summary of significant accounting policies, 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 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 accompanying financial statements give a true and fair view of the financial position of the Walapane Pradeshiya Sabha as at 31 December 2022, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices for Local Authorities.

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 this 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 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 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.

1.4 Scope of Audit (Auditor's Responsibility in Auditing 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 scepticism 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 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 the Pradeshiya Sabha 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 presented are consistent with that of the preceding year as required by Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.

- (b) The recommendations made by me during the previous year are included in the financial statements presented as required by 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	Comment of the Sabha	Recommendation
(a)	Although 04 court cases were being heard against the Sabha, they had not been disclosed in the financial statements.	This matter will be corrected in the preparation of final account for the year 2023.	It should be disclosed in the financial statements.
(b)	Having recovered Rs. 3,660,000 from an officer due to a financial irregularity, it had been retained in the deposit register until the inquiry was completed. Nevertheless, the financial irregularity had not been disclosed in the financial statements.	This matter will be corrected in the preparation of final account for the year 2023.	It should be disclosed in the financial statements.

1.6.2 Accounting Deficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Although sums totalling Rs. 10,211,726 of the Capital Aid Account had been noted as the credit according to the Journal No. 45 and 46, after debiting Rs. 10,311,726, a sum of Rs.100,000 had been overstated.	This matter will be corrected in the preparation of final account for the year 2023.	Account balances should be corrected.
(b)	Despite the cancellation of a project which had been made creditors for Rs. 1,518,000 in the preceding year, it was further stated under the creditors. Further, sums totalling Rs. 1,500,176 paid in 14 instances during 2023 in relation to the year under review had not been accounted for under the creditors.	This matter will be corrected in the preparation of final account for the year 2023.	Accounts should be corrected.
(c)	Although a sum of Rs. 3,538,950 receivable for the preceding year and not accounted for as the stamp duty revenue should be credited to the accumulated fund when it was received during the year under review, a sum of Rs. 1,737,500 had been credited to the accumulated fund, whilst Rs. 1,801,450 had been credited to the revenue of the year.	This matter will be corrected in the preparation of final account for the year 2023.	This matter should be corrected in the financial statements.

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| (d) | Stamp duty income of Rs. 4,487,160 received for the preceding year had been accounted for as an income of the year under review and the stamp duty to be received for the year had been under stated by Rs. 581,950 in the account. | This matter will be corrected in the preparation of final account for the year 2023. | Value should be correctly identified in the financial statements. |
| (e) | Court fine income of Rs. 116,168 received for the preceding year had been accounted for as an income of the year under review. | This matter will be corrected in the preparation of final account for the year 2023. | This matter should be corrected in the financial statements. |
| (f) | Retention money of Rs. 2,408,534 to be accounted for under the general deposits had been accounted for under the creditors. | Action will be taken to rectify shortcomings. | Accounts should be corrected. |
| (g) | Without being followed the stores advance accounting method, the stock worth Rs. 272,490 purchased as at the end of the year under review had been debited to the expenditure of the year. | Since accounts are posted after being voted, advance method is not currently implemented. | Accounts should be prepared correctly. |

1.6.3 Unreconciled Control Accounts or Reports

Audit Observation	Comment of the Sabha	Recommendation
There observed a difference of Rs. 24,671 when comparing balances in the primary books and subsidiary documents related to 03 accounts balances stated in the financial statements.	The difference in the financial statement will be corrected in the preparation of the final account for the year 2023.	Account balances should be corrected.

1.6.4 Lack of documentary Evidence for audit

Audit Observation	Comment of the Sabha	Recommendation
As the registers of assets and schedules were not presented, 12 accounts balances valued at Rs. 16,384,452 as at 31 December of the year under review could not be satisfactorily examined in audit.	This matter will be corrected in the preparation of final account for the year 2023.	The schedules related to the balance confirmation should be prepared.

1.7 Non-compliance
Non-compliance with laws, rules, and regulations

Instances of non-compliance with laws, rules, and regulations are as follows.

Reference to laws, rules, and regulations	Non-compliance	Comment of the Sabha	Recommendation	
(a) Parliamentary Act	National Environment Act No. 47 of 1980 as amended by Acts No. 56 of 1988 and No. 53 of 2000	Environmental Protection Licences had not been obtained by 11 business enterprises for the year under review.	Further action will be taken after inspecting the locations.	Provisions of the Act should be complied with.
(b) Circulars of the Commissioner of Local Government.	Circular No.1988/22 dated 17 May 1988.	Although the assessment of properties should be carried out at least once in 05 years for the assessment tax, the Pradeshiya Sabha had collected Rates based on the assessment of the year 2011.	Although letters have been referred to the Department of Valuation, so far no assessment has been done.	Circular instructions should be complied with.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 3,153,885 for the year ended on 31 December 2022 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 17,785,248.

2.2 Financial Control

Audit Observation	Comment of the Sabha	Recommendation
(a) Although the balance of 03 current accounts was Rs. 17,087,707 according to the cash book as at the end of the year under review, no action had been taken to use that money for the regional development activities.	Taking into consideration the balances in the accounts, that money will be used in the productive purposes in the future.	Excess money should be used for the regional development activities.

- (b) Action had not been taken according to Financial Regulation 396 (d) in respect of 02 cheques worth Rs. 187,445 that had expired as at the end of the year under review. Steps are being taken according to Financial Regulation 396 (d) Financial Regulations should be complied with.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

According to the information submitted by the Chairman, the particulars on the estimated revenue, billed revenue, collected revenue and outstanding revenue relating to the year under review and the preceding year, are as follows.

Source of Revenue	2022				2021			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue-	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	2,877,000	4,768,063	5,327,808	3,663,504	2,877,000	5,218,040	2,587,032	4,223,249
(ii) Stall Rents	11,518,000	16,184,257	2,855,586	20,429,782	11,449,225	5,508,577	11,787,174	7,101,111
(iii) License Fees	4,456,000	2,959,854	2,959,854	-	4,456,000	3,190,480	3,416,097	-
(iv) Other Revenue	91,103,000	14,309,041	19,149,245	2,660,778	88,549,000	5,065,540	80,556,921	7,500,982
Total	109,954,000	38,221,215	30,292,493	26,754,064	107,331,225	18,982,637	98,347,224	18,825,342

2.3.2 Performance in Collecting Revenue

The observations on the performance in collecting revenue of the Sabha are as follows.

Audit Observation	Comment of the Sabha	Recommendation
(a) Rates and Taxes The arrears of Rates as at 01 January 2022 amounted to Rs. 2,106,298 and the collection of Rates by 31 December was Rs. 887,778 or 42 per cent. Accordingly, the progress of the collection of Rates was not at an adequate level.	Action will be taken to recover the arrears in instalments.	Action should be taken to recover the arrears.
(b) Rent i. The arrears of stall rent of Rs. 5,520,389 continued to exist over a period from 04 to 07 years in relation to 24 stalls in the public market in Ragala Padiyapellala, and the arrears of rents amounting to	It has not been possible to recover the arrears related to the period from 1987 to 2019 and	Arrears should be recovered.

Rs. 1,250,150 of 25 meat and fish stalls related to the period from 1987 to 2019 had not been recovered as at the end of the year under review. this matter will be referred seeking approval for writing off the arrears in the future.

- ii. Lease rent of Rs. 848,937 had not been recovered from seven taxpayers in the Ragala and Walapane weekly fairs since a period from 03 to 35 years. Not commented. Arrears of lease rent should be recovered.

(d) Licence Fees

Business licences had not been issued for 55 business enterprises during the year under review. Consequently, the Sabha had lost an income of Rs. 55,200. Action will be taken to recover the business licence fees to be recovered for the year 2023 from all business enterprises. Licence fees should be recovered.

(d) Other Revenue

- i. Charges from vehicle parks and rent from public lavatories totalled Rs. 412,334 remained outstanding over a period ranging from 02 to 08 years. Action will be taken to recover the arrears in the future. Arrears should be recovered.

- ii. It was observed during audit test check on the advertisement boards of the area of authority of the Sabha that the advertisement boards charges of Rs. 131,364 had not been recovered. The value of advertisement boards has been assessed at present and action will be taken to recover the charges by informing the relevant persons through the letters. Charges should be recovered after conducting the survey properly.

(e) Court Fines and Stamp Duty

The court fines and stamp duty recoverable from the Chief Secretary of the Provincial Council and the other authorities as at 31 December 2022 were Rs. 1,219,778 and Rs.1,441,000, respectively. Money has been received only for the schedules submitted. Action should be taken to collect revenue.

3. Operating Review

3.1 Execution of duties entrusted by the Act

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act , being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

	Audit Observation	Comment of the Sabha	Recommendation
(a)	The Sabha had not carry out the construction and repair of public ditches and their general administration within the Pradeshiya Sabha area as required by Sections from 79 to 84 of the Pradeshiya Sabha Act.	Development programmes have not been proposed and provisions have also not been made.	Activates outlined in the Act should be carried out.
(b)	No funds of the Sabha had been used for the construction and improvement of roads and ways during the year under review in terms of Sections 27 and 33 of the Pradeshiya Sabha Act.	Development programmes have not been proposed and provisions have also not been made.	- Do -
(c)	Since the Sabha lacked a gully bowser to transport sewage and dispose of garbage, those services could not be carried out as required by Section 95 of the Pradeshiya Sabha Act.	A letter has been referred to the Commissioner of Local Government making a request to obtain a gully bowser.	- Do -
(d)	Without being taken action according to Section 108 of the Pradeshiya Sabha Act, the Pradeshiya Sabha had distributed water without purifying and a fixed charge had been levied without installing water meters.	Arrangements are being made to entrust this water scheme to the community water association.	Action should be taken to provide purified drinking water.

3.2 Management Inefficiencies

	Audit Observation	Comment of the Sabha	Recommendation
	The value of the closing stocks in 73 inventory units, and 02 Ayurvedic centres in Ragala and Kurupanawala as well as the value of 11,950 kilograms of fertilizer had not been computed and brought to account.	After examining the documents and correctly recognizing the values, corrections will be made in the preparation of final account for the year 2023.	Stocks should be brought to account.

3.3 Idle or underutilized property, plant and equipment

	Audit Observation	Comment of the Sabha	Recommendation
	Four units of machinery and equipment and 10 vehicles totalled Rs. 2,056,475 existed as at the end of the year under review remained idle or underutilized over a period from 01 to 12 years.	Action will be taken to dispose of and auction the machinery and equipment through a board of survey.	Action should be taken either to utilize or dispose of the items.

3.4 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
The sub-offices, library and six community hall buildings, 4 beef stalls, and the waste yard building remained dilapidated without proper maintenance and repairs.	Lack of adequate financial provisions with the Sabha resulted in the above situation.	Those buildings should be repaired and utilized.

3.5 Human Resource Management

Audit Observation	Comment of the Sabha	Recommendation
Loan balances Rs. 611,668 of had not been recovered from 19 officers, including those who were retired, interdicted, deceased and those who vacated the service.	Action will be taken to recover the dues in the future.	Outstanding loan balances should be recovered.

3.6 Vehicle Fleet Management

Audit Observation	Comment of the Sabha	Recommendation
Although the backhoe loader that was damaged on 07 November 2018 due to a landslide had been handed over to the Mechanical Engineering Office work site of the Provincial Road development Authority on 09 July 2019 for repairs, no action had been taken to repair and get it back to the Sabha till 15 February 2023.	Action will be taken to brought it to the Sabha soon after completion of the repairs.	Repairs should be attended to.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comment of the Sabha	Recommendation
Eight activities specified in the Action Plan prepared for the year under review had not been carried out during the year under review.	Necessary action will be taken in the future.	Action should be taken in accordance with the plans.

4.2 Budgetary Control

Audit Observation

According to the budget prepared for the year under review, when comparing estimated income and expenditure with the actuals, variations ranging from 09 per cent to 49 per cent were observed related to 06 items of revenue, while variations ranging from 12 per cent to 91 per cent were observed related to 05 items of expenditure. Accordingly, the budget had not been made use of as an effective instrument of control.

Comment of the Sabha

Action will be taken to make use of the budget as an effective instrument in the preparation of the budget for the year 2024.

Recommendation

The budget should be prepared giving due consideration in keeping with the requirement.

4.3 Environmental Issues

Audit Observation

It was revealed that the waste yard was being damaged by animals since the net fence around it had not been completed, and solid waste was being discharged into the open environment without proper management.

Comment of the Sabha

Pesticides will be applied to the waste yard. Bale machine and the room in which the bale machines are kept will be steadily arranged and the access road and surrounding area will be properly prepared.

Recommendation

Waste management process should be duly maintained.

4.4 Sustainable Development Goals

Audit Observation

Sustainable development goals had not been set for the year under review in terms of Sustainable Development Act No.19 of 2017.

Comment of the Sabha

The Sabha has taken necessary steps for the implementation of necessary programmes to achieve the sustainable development goals in this year.

Recommendation

Action should be taken in accordance with the provisions of the Act.