

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kalutara Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Statement of Assets and Liabilities as at 31 December 2022, Comprehensive Income Statement, Statement of changes in net equity, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 Sabha Act No. 15 of 1987 and the provisions of the National Audit Act No 19 of 2018. 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 Kalutara Pradeshiya Sabha as at 31 December 2022, 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

My opinion is qualified 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 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.

- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Non-compliance with Sri Lanka Public Sector Accounting Standard for Local Authorities

	Non-compliance with reference to relevant standard	Comment of the Sabha	Recommendation
(a)	The Statement of Cash Flows was not prepared in accordance with the provisions of Chapter No. 3.27 to 3.32 of the Standard.	The action will be taken to correct when preparing the financial statements of the year 2023	The Cash flow statement should be prepared in accordance with Public Sector Accounting Standard for Local Government Authorities.
(b)	According to Chapter No. 6.1 of the standard, library books amounting to Rs. 5,447,947 which should be recognized under property, plant and equipment were also accounted as stock in the year under review.	The action will be taken to show as stocks in the year 2023.	Library books should be identified under property, plant and equipment.

1.6.2 Accounting Deficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Although Rs.89,974,532 and the Rs.8,068,780 were received as government capital grants for non-recurrent expenses in the year 2020 and 2021 respectively, those grants were not classified and accounted for according to the asset category.	The action will be taken to correct when preparing the financial statements of the year 2023	Government capital grants for non-recurrent expenses should be properly accounted.
(b)	Purchases of library books amounting to Rs.600,000 which should be accounted as assets had been accounted as a debit expense in the year under review.	The action will be taken to correct when preparing the financial statements of the year 2023	Purchases of library books should be accounted as assets.

1.6.3 Non reconciled control account or Records

	Audit Observation	Comment of the Sabha	Recommendation
(a)	There was a difference of Rs.6,751,052 between the balances of the financial statements and the balances	The action will be taken to correct in the future	Differences in balances should be reconciled and the accounts should be rectified.

shown in the schedules related to 04 accounting items.

- (b) There was a difference of Rs.932,336 between the balances of the financial statements and the respective ledger account balances related to 03 accounting items. -do- -do-

1.7 Non-compliances

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

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below

Reference to Laws, Rules, Regulation and Management Decisions	Non – Compliance	Comment of the Sabha	Recommendation
(a) The Section 158 (a) of the Pradeshiya Sabha Act No. 15 of 1987	As a last step in recovery of assessment tax, attachment of property was not prohibited.	The red notices have already been issued	Action should be taken according to Pradeshiya Sabha Act.
(b) Rule No. 42 of Gazette No. 2155/8 dated 24 December 2019	The annual survey of land and buildings owned by the Sabha had not been done.	The committees have been appointed for the survey of the property and it will be completed soon	Action should be taken according to the Gazette.
(c) Public Administration Circular No. 02/2018 dated 24 January 2018	No human resource development plan was prepared for the year under review and no annual performance agreements were signed.	It will be corrected from the year 2023	Action should be taken according to the Public administration Circular.

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2022 amounted to Rs.50,962,414 as against with the excess of recurrent expenditure over revenue amounting to Rs. .62,107,295 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 presented by the Sabha, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are as follows

	Source of Revenue	2022				2021			
		Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
(i)	Rates and Taxes	9,483,183	9,479,741	8,537,184	12,208,751	11,011,441	9,472,825	5,615,244	11,266,194
(ii)	Rent	270,000	270,000	294,500	-	1,598,200	262,500	262,500	24,500
(iii)	License Fees	440,000	415,175	415,175	-	2,064,225	1,539,050	1,539,050	-
(iv)	Other Revenue	80,000,000	80,000,000	54,892,871	247,489,769	80,000,000	80,000,000	18,829,361	222,382,640
		90,193,183	90,164,916	64,139,730	259,698,520	94,673,866	91,274,375	26,246,155	233,673,334

2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Sabha are given below.

Audit Observation	Comment of the Sabha	Recommendation
(a) According to the assessment tax period analysis, the assessment tax deficit between the years 01-03 is Rs.7,165,687, the deficit between the years 03-05 is Rs.2,304,691, the deficit between the years 05-09 is Rs.1,779,522 and the excess of deficit over 09 years was Rs.539,425.	The property will be banned and the arrears tax will be collected in future	The action should be taken to collect the arrears of income as soon as possible.
(b) The court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2022 were Rs.60,000,000 and stamp fees was Rs.197,404,504.	A part of the money related to the year 2019 has been received and the schedule related to the year 2020 has been prepared and forwarded to the Provincial Revenue Commissioner	The due court fines and stamp duty should be collected as soon as possible.

3. Operational Review

3.1 Idle or under-utilized Property, plant and equipment

Audit Observation	Comment of the Sabha	Recommendation
27 stock items with a value of Rs.389,670 in the stores remained inactive for a period of 08 years.	The insect repellent liquid has expired and the tools used for other accessories are not in use.	The action should be taken in accordance with the recommendations of the board of survey.

3.2 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) According to Section 10 of the Ordinance Act No. 57 of 1946 on Public Cemeteries and Private Cemeteries, protective fence boundaries should be prepared for the protection of cemeteries, however the fence boundaries of 17 cemeteries owned by the Sabha were not prepared.	Due to the government's expenditure management, it was not possible to construct fences	The action should be taken in accordance with the Cemeteries Ordinance.
(b) Out of 24 cemeteries under the Vaskaduwa Pradeshiya Sabha administration, 21 cemeteries had not been acquired to the Sabha at the end of the year under review.	The legal proceedings are being taken to take over the ownership of cemeteries	The action should be taken to acquire the cemeteries to the Sabha.
(c) The double cab provided by the Western Province Local Government Department on 22 January 2015, was not registered in the name of the Sabha at the end of the year under review.	The necessary actions are being taken to acquire the cab to the Pradeshiya Sabha.	The cab should be acquired to the Sabha

3.3 Deficiencies of Contract Administration

Audit Observation	Comment of the Sabha	Recommendation
Although the approved rate per square feet is Rs.1,435 for making internal partitions using aluminium in Uggalbada Gangkandagoda Community Hall building, in the internal partitioning construction work, however during the payment, Rs. 4,561 per square feet, overpayment of Rs. 3,126 had been done per square foot, and for 164.34 square feet total overpayment Rs. 513,727 had been done.	The observation shown by the audit are accepted and the overpaid amount has been credited to the Sabha fund.	Correct rates should be applied while making payments for contracts.

3.4 Transactions of Extraneous Nature.

Audit Observation	Comment of the Sabha	Recommendation
10 vehicles were sold as scrap for Rs.1,077,973 during the year under review, without cancelling the vehicle registration certificates from the Motor Traffic Commissioner.	The files for the vehicles to be cancelled have been handed over to the Kalutara Motor Traffic Commissioner's Office.	Vehicles should be auctioned after cancellation of registration certificates.

**4. Accountability and Good Governance
Sustainable Development Goals**

Audit Observation	Comment of the Sabha	Recommendation
206,628 metric tons of biodegradable waste and 155,340 kg of non-biodegradable waste were collected in the council area during the year under review. Although provision of household composting bins for biodegradable waste under the Waste Management Program was included in the Sustainable Development Plan, it was not implemented during the year under review.	The program could not be implemented according to the prevailing epidemic situation and government circulars	Efforts should be made to implement sustainable development goals.