

Wilgamuwa Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Wilgamuwa Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Balance sheet as at 31 December 2022, Income and Expenditure Account 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 National Audit Act No.19 of 2018. My comments and observations which I consider should be presented 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 Wilgamuwa Pradeshiya Sabha as at 31 December 2022, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified Opinion

I express a 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 for Local Authority, 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 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 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 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 the recommendations made by me in the previous year except the audit matters of (a), (b), (c) in paragraph 1.6.1 described in paragraph 1.6 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 Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The error of recording Rs.3,899,991 due from capital debtors in the previous year as Rs.3,799,991 in the debtor's account was also not rectified in the year under review.	It will be corrected in the preparation of the final account 2023	Should be accounted correctly.
(b) The error of recording the amount of Rs.4,734,538 paid to capital creditors in the previous year as Rs.3,500,338 in the capital creditors account was also not corrected in the year under review.	- Do -	- Do -
(c) While correcting the mistake of recording an capital creditor payment of Rs.1,059,200 as a capital payment in the previous year, the capital creditor account should be debited in the year under review, but due to the crediting of that account and debiting to the accumulated fund, the capital creditor account was overstated by Rs.2,118,400 and the accumulated fund was understated by the same amount.	- Do -	- Do -
(d) In the year under review, 04 vehicles totalling Rs.2,480,000 were auctioned, but due to the withdrawal of Rs.1,000,000 from the Motor Vehicle Account and the revenue contribution to capital outlay account, the accounts were overstated by Rs.1,480,000.	- Do -	- Do -
(e) In the year under review, 16 units of land and buildings were assessed at Rs.62,035,000, but the assessed value was not accounted for.	It will be corrected in the preparation of the final account 2023	Should be accounted correctly.

- (f) In the year under review, the rental income of the library building and the income due on the lease of the weekly market and public toilet had been understated by Rs.150,000 and Rs.250,000 respectively. - Do - - Do -

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
(a) There was a difference of Rs.468,494 between the Fixed Assets account and the Income Contribution to Capital Application account.	It will be corrected in the preparation of the final account 2023	Account balances should be corrected.
(b) There was a difference of Rs.11,711,557 between the balances as per financial statements of 11 accounting subjects, and the balances as per corresponding reports.	Documents will be checked and corrected.	Account balances and should be corrected.

1.6.3 Suspense Accounts

Audit Observation	Comments of the Sabha	Recommendation
Rs. 1,501,545 balance of the suspense account, which has carried forward for a long time, had not been settled.	Action will be taken to correct	Suspense account balance should be recognized and settled.

1.6.4 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
As on 31st December of the year under review, 10 account balances worth Rs.160,401,921 could not be satisfactorily verified in the audit due to non-submission of deeds, schedules and balance confirmation.	Action will be taken to correct	Schedules and balance confirmations should be submitted.

1.7 Non- Compliances

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

Below are the cases where rules, regulations and management decisions were not complied with.

Reference to laws, rules, regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a) Parliament Acts			
Section 24 of the Pradeshiya Sabha Act No. 15 of 1987	Roads belonging to Sabha had not been gazetted.	The roads in the Wilgamuwa Pradeshiya Sabha area have been surveyed and the road inventory prepared and updated.	Provisions of the Act should be followed.
(b) Rules and statutes Provisions			
218 of the Pradeshiya Sabha (Finance and Administration) Rules, 1988	An annual survey related to land and buildings was not conducted.	Surveys are to be conducted in the future	Rules should be followed.
(c) Provisions of By-laws			
Section 39 of the Standard Bye-laws published Fees Section 1 (b) in the extra ordinary Gazette of the Democratic Socialist Republic of Sri Lanka No. 520/7 dated 23 August 1988.	No survey was conducted on the advertisement boards displayed in the Pradeshiya Sabha area.	Relevant surveys are currently being carried out.	It should be complied with the standard by-laws.

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| (d) | Financial regulation of the Democratic Socialist Republic of Sri Lanka. F.R.104 (a) | No action had been taken to conduct a relevant investigations regarding the misplacement of electrical accessories related to the street lamp sets with a total value of Rs.162,700 and non-crediting of the crematorium income to the Pradheshiya Sabha fund, and identify the responsible parties. | A committee has been nominated to conduct an inquiry and the committee has been referred to the Chief Secretary of the Central Province for approval and it will proceed accordingly. | Financial regulations should be followed |
| (e) | Public Administration Circular No. 09/2009 dated 16 April 2009 | The fingerprint machine was not used to record the arrival and departure of officers. | This machine was out of order on 29.09.2022 and Approval was not received for repair. | Circulars 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 31 December 2022 amounted to Rs.6,924,259 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 12,033,417 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 Secretary relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Source of Revenue	2022				2021			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December -	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December -
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i). Rates and Taxes	680,000	709,688	1,151,420	788,227	680,000	709,688	89,566	1,229,959
(ii). Rent	96,000	96,000	64,000	36,500	96,000	-	-	4,500
(iii). License Fees	800,000	741,845	1,557,760	-	800,000	815,915	-	815,915
(iv). Court Fine	5,000,000	2,934,814	3,230,228	10,041,398	5,500,000	2,488,988	-	10,336,812
(v). Stamp Fee	700,000	735,236	1,311,819	252,600	700,000	576,583	-	829,183
(vi). Other revenue	4,911,000	4,900,160	5,485,281	5,102,961	4,000,000	4,606,524	(8,127)	5,688,082
Total	12,187,000	10,117,743	12,800,508	16,221,686	11,776,000	9,197,698	81,439	18,904,451

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
(a) Rates and Taxes		
Even though the Sabha had assessed the property for rates of last year, tax had been levied based on the 2011 assessment.	The assessment has been done in the year 2021	Taxation should be done according to the new assessment.
(b) Other revenue		
i. Arrears of Rs.1,582,657 in respect of 03 weekly fair had not been collected as on 31 December 2022.	The approval to write-off of these arrears had been obtained by the Sabha.	Arrears of rent should be recovered.
ii. The outstanding tax amount of Rs.250,000 in the previous years had not been recovered from the Perakanatta weekly fair owned by the Sabha and this weekly fair, which had been developed at a cost of Rs.1,300,000 under the development of essential infrastructure	Once again in the year 2023, traders and people have been informed and started weekly fair.	Action should be taken to generate income from income sources.

last year, had been closed since the year under review.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Late charges of Rs.35,600 were paid for taking possession of a motorcycle.	Such delays will not occur in the future	It should be complied with the provisions of F.R.156
(b) According to the F.R 104(4) inspection report regarding a shortage of 40 GI pipes belonging to Pradeshiya Sabha, the said deficiency amounting to Rs.119,937 was recommended to be recovered from the officers concerned, but it was not recovered from the concerned officers.	The money will be recovered promptly.	Financial regulations should be followed.

3.2 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
(a) The ownership of 63 lands used by the Pradeshiya sabha, the public market land and a cab had not been taken over to the Sabha.	That the activities related to the acquisition of land are carried out promptly.	Assets should be taken over.
(b) As at the end of the year under review a tractor-tailor of Rs.220,000 remained idle and underutilized for a period of one year.	The tractor trailer will be auctioned on 31.12.2022 as per the board of survey and this decision has been taken because it will cost a lot of money to make it and due to insufficient funds.	Action should be taken to dispose properly.

3.3 Defects in Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
According to the construction quality inspection reports of the concrete road near the Kumbukandana Managala public well, which was built last year at an	According to Council decision No. 12 taken on November 8, 2022, arrangements	Since the works have not been done as per the agreement, the

estimated cost of Rs.1,000,000; Although it was failed on several occasions, there was no action taken to blacklist the society that did not perform the relevant tasks as per the agreement and to take any action related to the supervisory officers.

are being made to blacklist this society.

relevant contractor should be blacklisted and action should be taken against the supervisory officers.

3.4 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Since December 31 of the year under review, there were vacancies in 09 posts in the Sabha.	That the Local Government Commissioner Central Province, Chief Secretary Central Province has been informed in writing.	Vacancies should be filled.
(b) A loan balance of Rs.469,115 due from 06 officers who have been transferred had not been recovered..	That the relevant institutions have been informed to settle	Arrangements should be made to recover the outstanding balance.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
According to the budget prepared for the year under review, the variations of 05 to 49 percent and 15 to 100 percent were observed in comparison with the actual income and expenses of 05 estimated income subjects and 04 expenditure subjects, so the budget was not used as an effective control tool.	For future rectification, necessary instructions have been given to the concerned officers	The budget should be prepared considering the need carefully.