

Welivitiya Devithura Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Welivitiya Devithura Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of financial position as at 31 December 2023, Statement of Financial Operations, Statement of changes in net assets, 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 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 Welivitiya Devithura Pradeshiya Sabha as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Practices.

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.

- 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.
- 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 Accounting Deficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)	The amount of Rs.14,315,000 received and receivable from the Local Credit Development Fund was credited to the income and expenditure account.	Will be correctly accounted in the future	Should be accounted correctly.
(b)	The work creditor and work debtor balance related to the construction of the Polgahavila Agaliya crematorium was Rs.9,903,901 and the Work creditor and Work debtor balance related to the construction of the crematorium combustion chamber had been overstated by Rs.30,000.	Will be correctly accounted in the future	-do-
(c)	The value of Rs.277,640 incurred for the construction of the new fence at the	Will be correctly accounted in the future	-do-

Atkandura cemetery was not capitalized under fixed assets.

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| (d) | Fixed deposit interest receivable was understated by Rs.106,249. | Will be correctly accounted in the future | -do- |
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1.6.2 Non reconciled control account or Records

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs.222,343 between the balances related to accounting item shown in the financial statements and the balances shown in the related utility schedules.	Will be corrected in the future.	Action should be taken to rectify after comparing the differences.

1.7 Non-compliances

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

Reference to Laws, Rules, Regulation	Non – Compliance	Comment of the Sabha	Recommendation
(a) Pradeshiya Sabha (Finance and Administration) Rules, 1988 Rule 212	The total purchase amounting that was purchased in 19 incidence amounting to Rs.1,151,424 was not included in the stock records.	The action will be taken to maintain inventory records in a proper manner.	Stock register should be updated.
(b) Southern Province, Provincial Council Financial and Administrative Rules 476 and 477	An annual survey of vehicles and machinery should be conducted for every year, however it was not done accordingly.	The action will be done in the future.	A vehicle survey should be done as per financial and administrative rules.

1.7.2 Transactions in Contentious Nature

Audit Observation	Comment of the Sabha	Recommendation
The secretary had used in the year 2023 the vehicle of the Sabha without group transport facilities to travel between home and office for a day, and had paid Rs.295,547 for fuel.	The decision will be taken on the advice of the Commissioner of Local Government.	The vehicle should be used in such a way as to minimize the cost.

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2023 amounted to Rs.4,820,954 as against with the excess of revenue over recurrent expenditure amounting to Rs.3,467,585 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Source of Revenue	2023				2022			
	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 .
Rates and Tax	663,000	812,853	821,629	24,068	538,000	737,976	742,858	32,844
Rent	343,200	129,540	140,680	(1,400)	468,200	170,505	182,065	9,740
License Fees	86,200	329,259	329,259	-	100,200	100,403	100,403	-
Other Income	2,058,500	6,112,507	6,100,679	113,723	1,829,500	3,951,037	3,904,742	101,895
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	3,150,900	7,384,159	7,392,247	136,391	2,935,900	4,959,921	4,930,068	144,479
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2.2.2 Performance in Revenue Collection

Audit Observation	Comment of the Sabha	Recommendation
In terms of sub-section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987, the Sabha had been unable to levy an assessment tax for the Sabha area.	Assessment is currently underway for taxation.	Arrangements should be made to collect assessment tax for developed areas.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Hinpanwila library, which has 1,915 books worth Rs.741,714, was open only two days a week, so the service provided by the Sabha to the public was limited.	There is no officer who can be deployed all 05 days.	Action should be made to provide maximum services to the public.
(b) There was a shortage of 29 items of Stores goods valued at Rs.724,649 and a surplus of 11 items valued at Rs.64,540.	The action will be taken to maintain the store stocks according to the proper methods.	Inventory purchases should be recorded periodically.
(c) 02 toners valued at Rs.49,000 purchased in the year 2022 were unusable in the Stores, and the Sabha did not have a printer that could use them.	02 Toners can be used.	The need should be identified and purchased.

3.2 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
The ownership of the 39.8 perches of 12 acres 15 lands valued at Rs.4,813,752 which was not belongs to the Sabha.	The action will be taken to acquire in the future.	Arrangements should be made to settle the ownership of the lands.

3.3 Deficiencies in contract administration

Audit Observation	Comment of the Sabha	Recommendation
(a) The bitumen development work on the entrance road to the crematorium, had overpaid Rs.47,219 for not using the prescribed rates.	This problematic situation has arisen due to the non-introduction of a rate.	Appropriate rates should be used
(b) Vathugaha Indrasena Playground Development work had overpaid Rs.101,430 due to non-use of prescribed price rates in the construction of the playground.	There is no mention in DR-009 whether the rate is done by machines or by human labour.	-do-
(c) Although the playground soil was cut using the back loader, an amount of Rs.193,077 was overpaid due to the use of the rate of Rs.1,242 introduced for human labor soil cutting.	There is no awareness or advice was given in any way as to which rates should be used.	-do-