

Wattala Pradeshiya Sabha - 2023

1. Financial Statements

1.1. Qualified Opinion

The audit of the financial statements of the Wattala Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of Assets and Liabilities as at 31 December 2023, Comprehensive Income Statement, Statement of Changes in Net Assets/Equity, Cash Flow Statement for the year then ended, and notes to the financial statements, 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 the provisions of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be reported 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 Wattala Pradeshiya Sabha as at 31 December 2023, 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

I expressed qualified opinion 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 Sri Lanka Public Sector Accounting Standards 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 (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:

- Identified and assessed 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.
- Obtained 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluated 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 is also extended to examine the following, as far as possible and as far as necessary;

- 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 include specific provisions for following requirements.

- (a) The financial statements of the Pradeshiya Sabha presented is 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 Non-compliance with Sri Lanka Public Sector Accounting Standards for Local Authorities

Audit Observation	Comments of the Council	Recommendation
In terms of matters specified in Chapters 3.27 to 3.32 of the Standard, the cash flow statement should be presented. However, the increase in net cash had been overstated as Rs.125,294,882 in the year under review.	That it will be rectified in future	The cash flow statement should be prepared in terms of the Standard.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
(a) According to financial statements, the balance in the Buildings Account was Rs.447,220,938 while it was Rs.446,848,115 according to schedules, thus indicating a difference of Rs.372,823.	That action will be taken to rectify through the accounts of the year 2024	The difference should be looked into and rectified thereafter.
(b) As per the Age Analysis Report, the arrears of rates amounting to Rs..89,536,357 according to financial statements was Rs.85,016,426,thus indicating a difference of Rs.4,519,931.	-do-	-do-

1.7 Non-compliances

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

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions appear below.

	Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Comments of the Council	Recommendation
(a)	Section 20 of the Rating and Valuation Ordinance No.30 of 1946	Rates had been recovered relating to 67,377 properties based on the assessment of rates of the year 2008.	That letters have been forwarded to the Valuation Department for a new assessment.	The assessment should be carried out and recoveries should be made according to new rates.
(b)	Financial Regulation 371(b) of the Democratic Socialist Republic of Sri Lanka	Two advances valued at Rs.643,645 as at the end of the year under review had not been settled.	That the bill has been forwarded again for reimbursement.	Action should be taken in terms of the Regulation.
(c)	Orders relating to accounting activities of financial administration of Pradeshiya Sabhas			
(i)	No.08	The financial statement should be presented to the Auditor General on or before 28 February of the following financial year. Nevertheless, the financial statement of the year under review has been presented only on 14 May2024.	That it will be rectified in future	Action should be taken as per Orders.
(ii)	No.83(ii)	A separate advances account had not been maintained for staff loans.	That it will be included in the 2025 budget proposals.	Action should be taken as per Orders.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs. 436,438,354 as compared with excess of revenue over expenditure amounting to Rs.263,219,162 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, details on revenue estimated, billed, collected and in arrears relating to the year under review and the preceding year are as follows.

Source of Revenue	2023				2022				
	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	104,501,100	113,583,737	112,545,390	85,016,426	94,142,100	105,796,333	107,098,725	83,978,079	
(ii) Rentals	10,500,000	9,767,188	10,076,078	8,287,644	5,640,000	11,698,138	11,839,872	8,596,534	
(iii) Licence Fees	1,840,000	2,227,857	2,227,857	-	3,352,399	2,637,349	2,637,349	-	
(iv) Other Revenue	407,500	427,594	427,594	-	765,000	2,518,182	2,518,182	-	
	<u>117,248,600</u>	<u>126,006,376</u>	<u>125,276,919</u>	<u>93,304,070</u>	<u>103,899,499</u>	<u>122,650,002</u>	<u>124,094,128</u>	<u>92,574,613</u>	

2.2.2 Performance of Revenue Collection

	Audit Observation	Comments of the Council	Recommendation
(a)	Rates and Taxes		
(i)	The balance in arrears of rates as at the end of the year under review comprised balances of Rs.11,848,422 for a period over 10 years, Rs.26,005,921 for a period between 5 and 10 years, Rs.14,387,366 for a period between 3 and 5 years and Rs.14,799,389 for a period between 1 and 3 years and no properties whatsoever had been seized for the relevant recoveries.	That action will be taken to recover arrears of rates	Arrears of rates should be recovered.

- | | | | |
|-------------|--|--|--|
| (ii) | Of the balance in arrears of rates as at the commencement of the year under review amounting to Rs.83,978,079 a sum of Rs.27,674,227 had been collected. As such, the value recovered from the arrears was only 33per cent. | The percentage of recovery from the arrears remained by 30April 2024 was17 per cent. | Arrears of rates should be recovered. |
| (b) Rentals | | | |
| (i) | Of the arrears of stall rentals amounting to Rs.8,596,534as at the commencement of the year under review, the value collected in the year under review had been Rs.2,735,759, thusrepresenting 31 per cent in the value. | That recoveries are being made | Arrears of stall rentals should be recovered. |
| (ii) | As per the Age Analysis Report, the arrears of stall rentals amounting to Rs.7,828,883 as at the end of the year under review comprised balances of Rs.213,155 for a period over 10 years, Rs. 4,132,495 for a period between 5 and 10 years, Rs.1,142,276 for a period between 3 and 5 years, Rs. 604,713 for a period between 1and 3 years and Rs. 1,736,244 for a period less than 1 year. However, no action had been taken either to seal the stalls or to take legal measures thereon. | Action will be taken in future. | Legal measures should be taken to seal the stalls and to recover arrears of rentals. |
| (iii) | The arrears of lease rentals relating to meat stalls amounted to Rs.234,777 for a period between 1 and 3 years and Rs.87,268 for a period less than 1 year as at the end of the year under review. | Action is being taken for recovery. | The arrears of lease rentals relating to meat stalls should be recovered. |
| (iv) | The arrears of weekly fair rentals remaining for a period of 3 years was Rs. 136,718. | Action will be taken to recover arrears. | The arrears of weekly fair rentals should be recovered. |

3. Operating Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	The Value Added Tax balance of Rs.1,419,445 remaining recoverable since the year 2020 had not been settled.	That VAT has been duly paid	Action should be taken to settle balances.
(b)	The balance payable as at the end of the year under review comprised Rs.157,012 for the period between 5 and 10 years, Rs.401,838 for the period between 1 and 3 years and Rs.1,305,805 for the period less than 1 year.	Action will be taken to make payments.	Action should be taken to make payments.

3.2. Idle and Underutilized Property, Plant and Equipment

	Audit Observation	Comments of the Council	Recommendation
(a)	Action had not been taken to assess the value of the land of the Elakanda marketing complex of 2 Roods and 6.35 Perches in extent.	That action will be taken to bring to account by obtaining valuation	The value of the land should be brought to account.
(b)	A name board with the name of the Council was not fixed in the land of the Elakanda Marketing Complex and the ground floor of the building which was in a dilapidated condition comprising two floors with 15 idle stalls, had been piled with garbage.	That provision has been made to carry out repairs thereof.	The premises should be properly maintained and used for an income generating purpose or for any other purpose.

3.3. Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	Of 45 lands mentioned in the Register of Fixed Assets, Deed numbers to confirm ownership and the extent of lands respectively relating to 33 and 24 lands, had not been mentioned.	That action will be taken in future	The ownership of lands belonging to the Council should be confirmed and brought to account.
(b)	Five vehicles and a machine valued at Rs.42,644,520 received for the use of the Council from other Government institutions had not been taken over to the Council.	That letters of re-transfer are being completed	Action should be taken to take over the ownership.

3.4. Human Resource Management

	Audit Observation	Comments of the Council	Recommendation
(a)	Contrary to Public Administration Circular No. 18/2001 of 22 August 2001, nineteen officers who had been in the service of the Council for a period between 07 and 28 years had not been transferred between service stations.	That a list of officers over 5 years will be submitted to the Assistant Commissioner of Local Government, Commissioner of Local Government and the Chief Secretary.	Action should be taken in terms of the circular.
(b)	Staff loans and advances amounting to Rs.1,473,756 recoverable as at the end of the year under review from 10 employees who had retired, deceased and left the service during the period from the year 2019 up to the year 2023, had not been recovered.	Action will be taken for recovery.	Action should be taken to recover staff loans and advances.