

Welivitiya Devithura Pradeshiya Sabha - 2022

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 2022 comprising the Statement of financial position as at 31 December 2022, Statement of Financial Operations, Statement of changes in net assets, 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 Welivitiya Devithura Pradeshiya Sabha as at 31 December 2022, 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 value of 03 items of plant machinery and equipment valued at Rs.80,000 which had been purchased during the year under review had been accounted twice under Furniture and fitting and under plant machinery and equipment.	Will be corrected in the future.	Should be accounted correctly.
(b) The Amounting to Rs.409,218 incurred by the Sabha in the year under review for the development of buildings and furniture and Fittings, had not been capitalized	- do -	- do -
(c) The balance of the general cash accounts as at the end of the year under review had been understated by Rs.153,980.	Will be corrected in the future.	Should be accounted correctly.

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| (d) | The creditor provision was not made for the Computer Trainee Allowance of Rs.37,500 in the year under review. | - do - | - do - |
| (e) | The capital grant amounting to Rs. 2,865,000 due at the end of the year under review had not been accounted as income of the year. | - do - | - do - |
| (f) | Library books valued at Rs.129,130 and plant machinery and equipment valued at Rs.162,640 received as donations during the year under review were credited to the capital contribution by income account. | - do - | - do - |

1.6.2 Suspense Accounts

Audit Observation	Comment of the Sabha	Recommendation
The general creditors of Rs.4,793,170 at the end of the year under review had adjusted as Rs. 271,253 when transferring to the suspense account.	Will be corrected in the future.	The balance should be settled.

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 23 and 24 of the Pradeshiya Sabha Act No. 15 of 1987	A Road Inventory Register was not prepared.	Will update in the future.	Action should be taken according to the Act.
(b) Section 4 of the Extraordinary	Rs. 201,000 was paid for 15 members without	The fuel allowance will not be paid	Action should be taken according to the

Gazette of the Democratic Socialist Republic of Sri Lanka dated 22 April 2013 submitting the fuel bills to the Sabha. without bills in future. Gazette Notification.

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. 3,467,585 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 1,790,457 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 given below.

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)
Acrege Tax	538,000	737,976	742,858	32,844	476,000	648,138	708,403	37,726
Rent	468,200	170,505	182,065	9,740	543,200	144,950	126,890	21,300
License Fees	100,200	100,403	100,403	-	75,200	96,858	96,858	-
Other Income	1,829,500	3,951,037	3,904,742	101,895	2,160,500	1,379,094	1,444,976	55,600
Total	2,935,900	4,959,921	4,930,068	144,479	3,254,900	2,269,040	2,377,127	114,626

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) Total outstanding income as at 01 January of the year under review was Rs.114,626 and at the end of the year under review it was Rs.144,479.	The observation is accepted.	Arrears of income should be collected as soon as possible.
(b) The assessment tax had not been levied in terms of sub-section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987	The further steps will be taken for collection of assessment tax.	Assessment tax should be levied and collected.
(c) The stamp fees of Rs.27,717,919 should have been received from the Chief Secretary of the Provincial Council as at 31 December 2022.	Due to actual non-receipt of billings for the year, showing an outstanding balance.	Arrears of stamp fees should be collected as soon as possible.

3. Operational Review

3.1 Assets Management.

Audit Observation	Comment of the Sabha	Recommendation
The cab value Rs.2,000,000 had been given to the Sabha by the Galle district secretary in the year 2022, however the action had not been taken by the Sabha to acquire them.	The necessary documents have been forwarded to the Office of the Motor Transport Commissioner.	Assets owned by the Sabha should be acquired.