

## **Wariyapola Pradeshiya Sabha - 2022**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Wariyapola 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 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 financial statements give a true and fair view of the financial position of the Wariyapola 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 for Local Authorities

#### **1.2 Basis for Qualified Opinion**

I express qualified opinion based 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 Principles, 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 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 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 Accounting Deficiencies

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	Land and building values amounting to Rs.6,223,438 had not been capitalized in the year under review.	Actions will be taken to capitalize in the financial statement of the year 2023 .	It should be accurately accounted for.
(b)	Estimated value relating to 21 development projects for which work has not commenced during the year under review amounted to Rs. 48,393,117 had been accounted for as creditors.	Actions will be taken to complete these projects as soon as possible.	-do-
(c)	The value of 6 lands cost at Rs. 620,000 and the value of 5 lands not recorded in the books had not been assessed and included in the financial statements.	These deficiencies will be corrected in the future.	-do-.

## 1.7 Non –compliances

### Non-compliance with Laws, Rules, Regulations and Management Decisions

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions are shown below.

<b>Reference to Laws, Rules, Regulations Management Decisions etc.</b>	<b>Non-compliance</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Section 126 (f) of the Pradeshiya Sabha Act No. 15 of 1987	Advertisement board fees had not been charged in the year 2022 from 55 Advertisement board placed in the Sabha area.	Some of these amounts have already been recovered and the necessary arrangements will be made to recover the remaining amount as soon as possible.	Actions should be taken in terms of Financial Regulations.

## 2. Financial Review

### 2.1 Financial Results

As per the financial statements presented, the income exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2022 was Rs. 36,389,236 and the income exceeding the recurrent expenditure of the preceding year was Rs. 14,431,413.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenues, Billed Revenues, Collected Revenues and Arrears of Revenues

The estimated income, billed income, collected income and arrears of revenue presented for the year under review and the previous year are as follows.

Source of Revenue	2022				2021			
	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December
	Rs000 .	Rs000 ..	Rs000 ..	Rs000 ..	Rs000 .	Rs000 ..	Rs000 .	Rs000 ..
I. Rates and Taxes	103,301	9,261	3,276	5,984	1,037	8,941	4,076	486
II. Rents	163,747	13,205	12,736	4,688	19,169	135,326	101,997	3,332
III. License Fees	16,765	9,302	9,000	30	13,225	957	957	-
IV. Other Income	143,665	872,147	16,275	973	25,879	14,500	13,368	11,321
<b>Total</b>	<b>427,747</b>	<b>903,915</b>	<b>41,287</b>	<b>11,675</b>	<b>59,310</b>	<b>159,724</b>	<b>120,398</b>	<b>15,139</b>

### 2.2.2 Performance on Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
(a) The arrears of Rs. 244,063 for more than 05 years and the arrears of Rs. 1,912,124 between 01 and 03 years in the total balance of rates and taxes amounted to Rs. 5,803,760 had been receivable.	Actions are being taken to recover the rest of arrears of income by foreclosing property of non-payers etc.	Arrangements should be made to recover the arrears of rates .
(b) <b>Acreage Taxes</b> An arrears balance of Rs. 150,535 had to be paid to the Sabha as at 31 December 2022 as old acreage tax arrears balance amounting to Rs.128,119 and the acreage tax arrears balance of the current year amounting to Rs.22,416 .	Most of the acreage tax-paying land in the Pradeshiya Sabha area has now been sold to others, and other properties of another part, have been fragmented.	Arrangements should be made to recover the arrears of acreage taxes .

### 3. Operational Review

#### 3.1 Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) The balance receivable for 14 account balances was Rs.204,049,443 as at 31 December of the year under review and a sum of Rs. 2,027,873 out of which had remained for more than 05 years.	Arrangements will be made to recover the money such as by industrial debtors , arrears of stamp duties and court fine as soon as possible.	Actions should be taken to settle balances payable.
(b) Although the shops should be assessed once in 03 years in terms of Circular No. 2019/02 of the North West Local Government Commissioner dated 10 January 2019, the shops of bus stand shops and small market complex were being charged based on the assessment of the year 2016.	Since the year 2022, we have sent request letters to the Valuation Department to assess these shops on several occasions.	Shops should be timely assessed .

#### 3.2 Human Resource Management

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
There was an irrecoverable loan balance of Rs. 13,956 pertaining to 18 employees as at 31 December 2022 .	Necessary measures will be taken to find out the information and to recover .	Actions should be taken to recover the employee loan balances properly.

### 3.3 Assets Management

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Actions had not been taken to take over 115 land buildings and a cab and a jeep used by the Sabha.	All necessary activities to take over these assets will be done in the future.	Actions should be taken to take over the assets used by the Sabha.

### 3.4 Idle and Underutilized Assets

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Due to non-completion of work as scheduled, the Restroom 08 Shops, Drinking Water Project, and Vegetable and Fruit Shops in the Bus Stand premises had remained in idle during the year under review.	The rest room will be opened after receiving electricity, the Walpola drinking water project will be handed over to the people immediately and , the vegetable and fruit stalls in the bus stand premises will also be handed over to the people as soon as possible.	Actions should be taken to utilize the idle assets.

## 4. Accountability and Good Governance Budgetary Control

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
As it was observed a 15 to 99 per cent variation between estimated and actual income in 04 revenue objects and more than 75 per cent variation between estimated provision and actual expenditure in 87 expenditure objects, the Budget was not made use as an effective management control tool.	The instructions have been given to the officers to check and make arrangements with these variations in the manner that such weaknesses do not occur from now on.	Actions should be taken to realistically prepare the Budget and utilization of the allocations optimally based on it .