

## **Weligama Pradeshiya Sabha - 2021**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Weligama Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising the Statement of financial position as at 31 December 2021 Statement of Financial Operations, statement of changing 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 accompanying financial statements give a true and fair view of the financial position of the Waligama Pradeshiya Sabha as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Principles.

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

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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**

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance 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)

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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

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The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) 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.
- (b) 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

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### 1.6.1. Accounting Deficiencies

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Audit Observation -----	Comment of the Sabha -----	Recommendation -----
(a) The difference between the debit balance and the credit balance in the opening Trial Balance of the year under review was Rs.134,172.	The observations are accepted..	Should be accounted correctly.
(b) While accounting the income of the year review by the Journal entry No. 47, the total of 27 heads of income of Rs.268,434,301 was debited and the income and expenditure account was credited as Rs.268,654,857, Therefore the income had been overstated by Rs.220,556.		
(c) 833 A4 sheets worth Rs.1,033 were valued at the end of the year under review Rs.541,450, the general warehouse stock balance was overstated by Rs.540,367.		
(d) The provision had not been made under the creditors for the audit fee of Rs.145,200 payable in relation to the previous year and the audit fees payable in relation to the year under review.		
(e) The balance of Rs.58,753 payable to the Local Government Employees' Pension Fund had not been accounted at the end of the year under review.		

## 1.6.2 Non-reconciled Account or Records

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### Audit Observation

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There were difference of Rs. 7,699,244 between the balances shown in the financial statements related to 09 accounting items and the balances shown in the relevant documents/schedules.

### Comment of the Sabha

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The observations are accepted.

### Recommendation

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The differences in the respective balances should be reconciled and the accounts corrected.

## 1.6.3 Lack of Documentary evidence for audit

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### Audit Observation

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Due to non-submission of information such as detailed schedules, age analysis and updated creditor documents, 03 accounting items totaling to Rs.13,500,535 could not be satisfactorily examined during the audit.

### Comment of the Sabha

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The observations are accepted.

### Recommendation

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The evidence should be submitted to confirm the account balances shown in the financial statements.

## 2. Financial Review

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### 2.1 Financial Result

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December amounted to Rs. .150,321,069 as compared with excess of revenue over recurrent expenditure amounted to Rs. 95,226,175 in the preceding year.

### 2.2 Performance in Revenue Collection

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#### (a) Assessment

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### Audit Observation

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There were 22584 assessed units at the end of the year under review and there was a balance of Rs.25,103,295 related to 18279 assessed units, out of which there was a balance of Rs.2,325,338 from 61 properties belonging to government institutions.

### Comment of the Sabha

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The audit observations are accepted.

### Recommendation

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Arrears of assessment should be collected expeditiously

**(b) Shop Rent**  
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**Audit Observation**  
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34 shop rooms owned by the council had been leased in the year under review and at the end of the year under review, there was an arrears of rent amounting to Rs.1,404,722 from 47 lessees.

**Comment of the Sabha**  
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The observations are accepted.

**Recommendation**  
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Arrears of shop rent should be collected promptly.

**(c) Surcharges**  
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**Audit Observation**  
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According to the provisions of the Pradeshiya Sabha Act, 06 surcharges amounting to Rs. 7,416,792 had been imposed against twenty two responsible persons in previous years. Out of which two stakeholders had filed appeals and three stakeholders had paid Rs.457,713.

**Comment of the Sabha**  
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A report of the Commissioner of Local Government has been submitted regarding the surcharges.

**Recommendation**  
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The action should be done according to the provisions of the Act.

**3. Operational review**  
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Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 3 of the Pradeshiya Sabha Act are shown below.

**3.1 Operational inefficiencies**  
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**Audit Observation**  
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The Buildings have been completed or are under construction in relation to 03 building applications that were rejected for approval on various grounds in the municipal area under the jurisdiction of the council. Regarding the construction done without a proper development permit, proceed as per the second Schedule of the Gazette Notification No. 2235/54 dated 08 July 2021, which includes the Planning and Development Orders/Regulations of the Urban Development Authority and Rs. 1,095,300 charges were not regularized or removed.

**Comment of the Sabha**  
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The observations are accepted.

**Recommendation**  
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The action should be taken in accordance with the gazette notification