

Walapane Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Walapane Pradeshiya Sabha for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2021 and the income and expenditure account including a summary of significant accounting policies and other explanatory 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 Sabhas Act, No.15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Walapane Pradeshiya Sabha as at 31 December 2021, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 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 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 (Auditor's Responsibility in Auditing 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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 the 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 the Pradeshiya Sabha 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 Walapane Pradeshiya Sabha are in consistence with that of the previous year as required by Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The recommendations made by me during the previous year are included in the financial statements presented as required by Section 6 (I) (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

Audit Observation	Comment of the Sabha	Recommendation
(a) There were understatements of Rs. 722,217 on 03 occasions, overstatements of Rs. 1,383,512 on 03 occasions and omission of Rs. 329,696 relevant to one occasion in the financial statement.	It has been informed that this error will be corrected in the preparation of financial statements for the year 2022.	Financial statements should be prepared correctly.
(b) Loan instalments and interests of Rs. 568,945 applicable to the year under review and payable in the ensuing year had not been stated as current liabilities in the financial statements.	It has been informed that this error will be corrected in the preparation of financial statements for the year 2022.	Loan capital should be identified as loan-term and short-term separately
(c) The value of Ayurvedic stocks available at the Walapane and Ragala Ayurvedic Centres as at 31 December of the year under review and the value of Non Electric choring design pump with 0.5 hp pressure pump had not been computed and stated in the financial statements.	It has been informed that this error will be corrected in the preparation of financial statements for the year 2022.	Stock value should be identified and brought to account, and assets should be capitalized.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 17,785,248 as at 31 December 2021 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.7,506,562.

2.2 Financial Control

Audit Observation

Comment of the Sabha

Recommendation

Twenty one cheques worth Rs. 242,999 given by various parties to the Sabha to credit to the Sabha Fund for various matters on 21 occasions from the year 1988 to 2004 had become dishonoured and amounts due for those dishonoured cheques had not been recovered and credited to the revenue. Action had not been taken in accordance with Financial Regulations regarding those cheques.

It has been informed that action will be taken to pay special attention in this regard and settle it in the future.

The amount to be credited to the Sabha should be credited.

2.3 Revenue Administration

2.3.1 Performance in Collecting Revenue

Audit Observation

Comment of the Sabha

Recommendation

Rent

Outstanding rent of Rs. 3,448,868 that continued to exist from the year 2015 relating to 07 shops in the Ragala town and rent on shops amounting to Rs. 3,502,648 continued to exist over a period from 01 to 10 years relating to 26 shops in Walapane area had not been recovered even by 31 December of the year under review.

It has been informed that the approval of the Hon.Governor has been sought on 10 August 2022 to write off an amount of Rs. 110,188, law suits have been initiated to recover outstanding rent of Rs. 548,130 from one shop, arrangements have been made to file cases against 04 shops owners who have outstanding amount of

Arrears of revenue should be recovered.

Rs. 261,650 and a sum of Rs. 109,000 has already been settled from the outstanding amount. It has further been informed that steps are being taken to settle an amount of Rs. 110,188 through deposits and cases cannot be filed regarding the shops in the Ragala town as the relevant shops have been built on land owned by the Railway Department.