

Weeraketiya Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Weeraketiya Pradeshiya Sabha for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2021 and the income and expenditure account, 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 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 Weeraketiya 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 Pradeshiya Sabha are in consistence with that of the previous year as per the requirement of 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 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

Audit Observation -----	Comment of the Sabha -----	Recommendation -----
(a) An amount of Rs.13,421,378 of receivable Stamp Duty regarding the year 2012 and the year 2018 lapsed over 02 years had been stated under receivable balances even though it had been declared as not receivable by the Southern Province Stamp Duty Reversal Ordinance No.04 of 1994 as not receivable.	The Chief Secretary had been requested on the arrears stamp duty from the year 2021 actions would be taken under the responses given.	Actions should be taken according to the Act.
(b) The Provisions for the creditors as at 31 December had been overstated by Rs.1,679,065 for the industries that had been made agreements under the state allocations for the village road and other infrastructure development for the year under review.	The bills had not been finished when preparing the financial statements therefore the agreement value had been stated in the accounts because of that reason a difference had been occurred.	The Provisions for the creditors should be made accurately.
(c) Capital Assets purchased of Rs.1,074,305 for the year under review had been stated as recurrent expenditure therefore the capital expenditure had been understated.	Actions would be taken to correct in the future.	The expenditure should be recognized accurately.

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| (d) | Expenditure accumulated to Rs.215,725 for the year 2020 had been stated in the accounts for the year under review. | Actions would be taken to correct in the future. | The expenditure should be stated accurately. |
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1.6.2 Unreconciled Control Accounts

Audit Observation

A difference had been observed of Rs.556,071 between 03 items of account balances and their balances in the supplementary documents and registers.

Comment of the Sabha

Actions would be taken to correct.

Recommendation

The differences of the relevant balances should be reconciled and corrected.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha amounted to Rs.21,423,227 for the year ended on 31 December 2021 of the year under review as compared with the corresponding the revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.11,240,704.

2.2 Revenue Administration

2.2.1 Performance in Collection of Revenue

Audit Observation

Comment of the Council

Recommendation

(a) Rates and Taxes

Action had not been taken to recover receivable rates and taxes regarding 2354 units of Rs.5,456,072 and from that arrears Rs.219,623 had been from Government Institutions.

Actions would be taken to recover the arrears as soon as possible by the year 2022.

The arrears revenue should be recovered as soon as possible.

(b) Rent

i. Actions had not been taken to recover the rent receivable of Rs.433,018 from 60 Stalls during the year under review.

A request had been sent for the governor to write off a balance of RS.57,300 and actions would be taken to recover the rest of the amount.

The arrears revenue should be recovered as soon as possible.

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| <p>ii. Actions had not been taken to recover the amount of Rs.14,727,055 for renting 03 weekly fairs for the year under review.</p> | <p>Legal actions would be taken to recover an amount of Rs.4,812,240, an amount of RS.10,075,343 had been written off under a decision taken by the Sabha and actions would be taken to recover the rest.</p> | <p>The arrears revenue should be recovered as soon as possible.</p> |
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3. Operating Review

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act, being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

3.1 Operational Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
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<p>Sabha had not been taken any actions against the 47 unauthorized constructions that had not been done during to period 2011 -2021 and make it correct those constructions as at the date of audit on 10 February 2022 even though actions should be taken against the unauthorized constructions under Section 8 (A) (1) and (2), Section 28 (b) and (a) of the Urban Development Authority Act (Amended) No.04 of 1982 and section 49 and 50 of the Pradeshiya Sabha Act No.15 of 1987.</p>	<p>Officers were not available with the relevant knowledge to take actions against the unauthorized constructions therefore no actions could be taken, therefore actions would be taken to take the support by the Urban Development Authority.</p>	<p>Actions should be taken according to the Act.</p>