

Weligepola Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The Audit of the financial statements of the Weligepola Pradeshiya Sabha for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial operations, Cash flow statement for the year then ended 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 Sabha 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 published 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 Weligepola 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 the 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 as management determine is necessary to enable the preparation of the financial statements that are free from material misstatements, 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 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 misstatements, 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 a part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also,

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatements in financial statements whether due to fraud or error 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 an 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 procedure 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 the following requirements.

- a) The financial statements of the 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) According to the requirement referred to in Section 6 (i) (d) (iv) of the National Audit Act No. 19 of 2018, except paragraph 1.6.1 (d) of this report, the recommendations made by me in the previous year are included in the submitted financial statements.

1.6 Audit Observations on the Preparation of Financial Statements

Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Improvements of land and buildings valued at Rs. 19,407,606 had not been capitalized.	It has been informed that, action will be taken to rectify in preparing account of the ensuing year.	The cost of relevant assets should be capitalized.
(b) The value of machinery and furniture received as donations in the year under review amounting to Rs. 299,369 had not been adjusted in the statement of financial operations.	It has been informed that, action will be taken to rectify in preparing of accounts of the ensuing year.	The capital revenue and capital expenditure relating to the year should be identified and accounted for.
(c) The accrued loan installment and the interest of the Local loans and Development fund relating to the year 2022 totaling Rs. 7,776,765 had been brought to account under non-current liabilities.	It has been informed that, action will be taken to rectify in preparing of accounts of the ensuing year.	The current and non-current creditors should be furnished in the statement of financial position properly.
(d) Action had not been taken to correct the accounting deficiency pointed out under 1.4.1 (a) of the Auditor General's Report of the year 2020.	It has been informed that, action will be taken to rectify in future.	Action should be taken to rectify the accounting deficiency pointed out.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2021 amounted to Rs. 1,051,853 as against the excess of expenditure over recurrent revenue of the preceding year amounting to Rs. 553,741.

2.2 Revenue Administration

Performance in Collection of Revenue

Audit Observation	Comments of the Council	Recommendation
(a) Rates and Taxes		
There are arrears of	It has been informed that, as	Prompt action should

Rs. 2,632,857 relating to 714 assessment units comprising a balance of Rs. 69,814 from 17 Government institutions and a balance of Rs. 2,563,043 from 697 private units as at the end of the year under review and action had not been taken to recover those arrears.

non-availability of a revenue inspector that has affected to recovery of arrears of taxes and the taxes are collected by a KKS at present and the condition prevailing in the country has affected to decrease the revenue.

be taken to recover revenue receivable to the Sabha.

(b) Other income

The Sabha had failed to recover arrears of water charges receivable from 2108 water consumers amounting to Rs. 1,523,729 comprising a sum of Rs. 55,109 receivable from 21 Government institutions and a sum of Rs. 1,468,620 receivable from 2087 private units as at the end of the year under review.

It has been informed that, action will be taken to launch a quick program to recover the arrears to the Sabha.

Prompt action should be taken to recover revenue receivable to the Sabha.

3. Operating Review

The matters observed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters of public health, public utility services, thoroughfares and the comfort, facilities and well-being of the people under section 03 of the Pradeshiya Sabha Act are given below.

3.1 Operating Inefficiencies

Audit Observation

Comments of the Council

Recommendation

Inspection of shops

Nine blocks of pelagewatta land with an extent of 20 perches with a business value belonging to the Sabha had been given to 09 lessees to carryout business activities on the basis of land tax collection from the year 1995. Even though action had been

It has been informed that, even though an assessment report for the Pelagewatta land was requested the land extent for each block could not be identified and as such an assessment report could not be provided.

Action should be taken to confirm the ownership of the land and to obtain an assessment report for the land and to recover rental accordingly.

taken to obtain an assessment report for the above land, the report was not made available even by the end of the year and such the Sabha had lost an income to be receivable as charging monthly rental by increasing 10 per cent annually. Further the confirmation of the land extent for each plot of land was not furnished to audit.

4. Accountability and Good Governance

Environmental Problems

Audit Observation

A cost of Rs. 3,833,740 had been incurred for 10 employees and a cost of Rs. 980,490 had been incurred for vehicles and 04 machineries to dispose 732 metric tons of solid waste during the year under review in authoritative area of the Sabha. Nevertheless without following a formal and environment friendly methodology to dispose of above waste, the pits were dug in the land and waste were dumped into it and the pits were closed and as such many environmental problems had arisen.

Comments of the Council

It has been informed that, the activities of the compost project will be commenced immediately after the completion of the constructions of compost yard.

Recommendation

A formal waste management project should be planned and required action should be taken to execute the project as environment friendly manner.