

## **Walivitiya Divithura Pradeshiya Sabha - 2020**

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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 Walivitiya Divithura Pradeshiya Sabha including the financial statements for the year ended 31 December 2020 comprising the Statement of financial position as at 31 December 2020, Statement of Financial Operations, 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 Walivitiya Divithura Pradeshiya Sabha as at 31 December 2020, and of its financial performance 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 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)**

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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 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

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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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<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
The provisions Credit had not been made for the amounting to Rs.56,987 to be paid for the construction of a concrete drain.	Action will be taken to correct in future.	Credit provisions should be made for payable amounts.

### 1.6.2 Non reconcile control account or reports

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<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
There was a difference sum of Rs. 430,300 in between the balance value of 05 accounting items in the financial statements and balance value in relevant utility registers and sub registers as at 31 December of the year under review.	Fixed assets are not included in the register.	Account balances and sub register balances should be corrected.

### 1.6.3 Lack of Documentary Evidence for Audit

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<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
Necessary schedules had not been submitted for the outstanding stamp fees valued at Rs.3,052,560.	The Sub registers had not been submitted by the Galle Land Registrar's Office.	Relevant sub registers should be submitted for audit.

## 1.7 Non compliances

### Non compliances with laws rules and regulations

Reference to laws rules regulations	Non compliance	Comment of the Sabha	Recommendation
<b>Financial Regulation of the Democratic Socialist Republic of Sri Lanka</b>			
Financial Regulation 570 to 572	Four deposit balances amounting to Rs.425,861 were more than two years as at 31 December 31 of the year under review and actions had not been taken in accordance with the relevant Financial Regulation.	Actions will be taken to get into the revenue in the future.	Action should be taken in accordance with Financial Regulations.

## 2. Financial review

### 2.1 Financial Review

According to the Financial Statements presented, revenue over recurrent expenditure of the Sabha for the year ended 31 December 2020 amounted to Rs.2,758,460 as compared with against the revenue over recurrent expenditure amounted to Rs. 5,742,271 in the preceding year.

### 2.2 Revenue Administration

#### 2.2.1 Performance of Revenue Collection

Audit Observation	Comment of the Sabha	Recommendation
<b>(a) Acreage Tax</b>		
Action had not been taken to recover the arrears of Rs. Acreage Tax amounting to Rs.79,492.	Inform that the action will be taken to recover the arrears of income in future.	The action should be taken to recover the arrears of income.

**(b) Court fines and Stamp Fees**

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There were due amounts as Court fine of Rs. 6,000 and as Stamp fees Rs.26,423,096 at 31 December 2020, The actions had not been taken to pay the Court fines and Stamp fees by the Chief Secretary.

Inform that the action will be taken to recover the arrears of income in future.

The action should be taken to recover the arrears of income.

**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.

**Operational In efficiencies**

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
About 0.25 tons of biodegradable waste is collected once a week and the Sabha had incurred a cost of Rs. 54,932 for dumping the decomposing waste in to pits during the year under review.	Requests have been made to obtain a land for waste management and inform that a waste recycling program will be implemented once the land is acquired.	Formal arrangements should be made for waste management.