

Weeraketiya Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Weeraketiya Pradeshiya Sabha for the year ended 31 December 2020 comprising the balance sheet as at 31 December 2020 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 2020, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

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 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 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.

- 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.
- 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) Capital Expenditure of Rs.603,152 had been stated as recurrent expenditure for the year under review.	The accounts would be recognized accurately in the future.	The expenditure should be accurately recognized and accounted.
(b) The receivable Stamp Duty income for the year under review had been understated by Rs.9,382,490.	Only the Estimated value had been stated as the receivable Stamp Duty income for the year under review.	The revenue should be recognized accurately and accounted.
(c) The amount of Rs.8,737,611 payable to the Local Loans Development Fund as at the end of the year under review had been stated as Rs.8,494,923 therefore it had been understated by Rs.242,688.	Actions would be taken to correct in the future.	The responsibilities should be recognized accurately.
(d) The accumulated amount of the Loan Instalments payable for the Local Loans Development Fund for the year under review of Rs.2,647,511 had not been stated as current liabilities in the Balance Sheet.	Actions would be taken to correct in the future.	The responsibilities should be recognized accurately.

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| (e) | An amount of key money receivable from 04 Stalls rented in the year 2018 of Rs.1,340,000 had not been stated in the accounts as at the end of the year under review. | Actions would be taken to correct in the future. | Revenue receivable should be recognized accurately. |
| (e) | Amount of rs.1,035,000 had been received by the Sabha from 04 institutions as reimbursements of expenditure had been stated as deposits except for reimbursements in the year 2019 and 2020. | The amount received as reimbursements would be taken into the revenue and utilize them on the developments. | The reimbursements should be stated accurately. |
| (f) | Capital Expenditure accumulated to Rs.529,579 spent on the developments of 04 lands owned by the Sabha during the year under review had not been stated under the Lands and Buildings. | Actions would be taken to correct in the future. | The capital Expenditure should be capitalized under the necessary Assets Accounts. |

1.6.2 Unreconciled Control Accounts

Audit Observation

There had been a difference of Rs.2,987,332 relevant for 12 items of accounts, between the balances as per the financial statements of Rs.499,512,489 and the balances as per the corresponding reports.

Comment of the Sabha

Actions would be taken to settle the balance in the future.

Recommendation

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

1.6.3 Lack of Documentary Evidence for Audit

Audit Observation

The necessary information had not been furnished regarding 08 items of accounts accumulated to Rs.534,039,014 for the audit.

Comment of the Sabha

Actions would be taken to prepare the supplementary documents and the time analysis.

Recommendation

The Evidence should be furnished to prove the balances declared in the Financial Statements.

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.11,240,704 for the year ended on 31 December of the year under review as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.27,595,351.

2.2 Revenue Administration

2.2.1 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
(a.) Rates and Taxes		
i. Actions had not been taken to recover the rates receivable of Rs.5,030,480.	Actions would be taken to give the necessary advices to recover the receivables and to inform the Finance and Policy Committee about the monthly progress.	The receivable revenue should be recovered as soon as possible.
ii. Actions had not been taken to recover the Business tax receivable of Rs.313,050.	Actions would be taken according to the Act.	-do-
iii. Actions had not been taken to recover the Acreage tax receivable of Rs.29,832.	Actions would be taken to carry out a survey and make the documents settled and recover the receivables.	-do-
(b.) Rent		
i. Actions had not been taken to recover receivable Stall Rent of rs.128,264.	Actions would be taken to recover the rest of the amount.	-do-
ii. Actions had not been taken to recover the amount receivable of Rs.5,138,146 by leasing out the property of the Sabha.	Actions would be taken to recover the arrears.	-do-
iii.		
(c.) License Fees		
Actions had not been taken to recover the License Fees receivable of Rs.25,550.	Actions would be taken to recover the arrears.	The receivable revenue should be recovered as soon as possible.
(d.) Court fines and Stamp Duty		
The Court fines and Stamp Duty receivable from the Chief Secretary of the Sabha and the other officers of Rs.672,778 and Rs.28,262,648 respectively.	Actions would be taken to recover the arrears.	-do-

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 Identified Losses

Audit Observation	Comment of the Sabha	Recommendation
A fine of Rs.614,940 that should be charged for the residencies or the utilizations without the Certificate of Conformity as per the Urban Development Act Amended No.04 of 1982 and the Extraordinary Gazette which made amendments for the Act of rs.50 per each day had not been charged by 10 Building Development Plans.	Actions would be taken according to the Act and the Gazette when making actions about these applications.	Actions should be taken according to the Act and the gazette.

3.2 Operational Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
Actions had not been taken to investigate the valid period of the Environmental Protection License of 05 Business places within the Authority of the Sabha during the year under review and given the trade License and no actions had been taken to encourage the relevant industries to obtain the Environmental Protection License.	Actions would be taken to encourage the businesses to obtain the Environmental Protection License.	Actions should be taken to issue the Environmental Protection License.

3.3 Inactive or Idle Property, Plant and Equipment

Audit Observation	Comment of the Sabha	Recommendation
07 lands of 546.8 perches owned by the Sabha had been idled without utilizing it on any effective task. Also there had been 10 lands not specifically recognized of 1370 perches.	Actions are being taken to recognize the Property and a project would be implemented to cultivate the lands that could be cultivated.	The Lands owned by the Sabha should be utilized for an effective task.

3.4 Procurement Management

Audit Observation

Quotations had been called by the Suppliers not registered even though it had been stated to call for the quotations only from the registered suppliers according to the section 3.4.3(c) of the Procurement Guidelines, and purchased 12 tiers aggregated to Rs.506,000.

Comment of the Sabha

Purchased by the institution opened because of the Covid Pandemic Situation and the registered suppliers had been out of the district.

Recommendation

Actions should be taken according to the Procurement Guidelines.