

## **Wellawaya 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 Wellawaya 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, Statement of changes in net assets, Cash Flow Statement 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 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 Wellawaya 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 based on the facts set out 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 principle, 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 further:

- 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 whenever 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) The financial statements of Pradeshiya Sabha are consistent with the preceding year as per the requirement mentioned in Section 6(1)(d)(iii) of the National Audit Act No.19 of 2018.
- (b) The recommendations made by me during the preceding year as per the requirement mentioned in Section 6(1)(d)(iv) of the National Audit Act No.19 of 2018 are included in the financial statements submitted.

## 1.6 Audit Observations on the preparation of Financial Statements

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### 1.6.1 Accounting Deficiencies

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Audit Observation	Comments of the Sabha	Recommendation
(a) The value of the jeep and water bowser belonging to Sabha had not been identified and accounted for.	It has been informed that it will be accounted for in the year 2021.	Accounts should be prepared correctly.
(b) During the year under review, an elephant fence had been erected around the garbage yard of the Wellawaya Pradeshiya Sabha at a cost of Rs.1,057,740 and the relevant expenditure had not been capitalized and stated in the financial statements.	It has been informed that it will be accounted for in the year 2021.	Accounts should be prepared correctly.

### 1.6.2 Unreconciled Control Accounts or Records

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Audit Observation	Comments of the Sabha	Recommendation
There was a difference of Rs.244,677 and 140,506 respectively as the value pertaining to an Account subject according to the financial statements was Rs.13,976,124, and according to the schedule / documents the value was Rs.14,220,801 and 13,835,618.	It had been informed that the outstanding assessment amount as at 31 December of the year under review is Rs.13,835,618.	Documents and schedules should be updated and the reasons for mismatch should be found and corrected.

### 1.6.3 Documentary Evidences not made available for Audit

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Information required for audit in respect of 03 accounting subjects with the total of Rs.298,962,204 had not been submitted.	It has been informed that action will be taken to update in the year 2021.	Evidence confirming the account balance shown in the financial statements should be submitted.

### 1.7 Non- Compliances

#### Non-compliance with Laws, Rules, Regulations and Management Decisions

Followings are the instances of non-compliance with Laws, Rules, Regulations and Management Decisions.

<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
<u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u> F.R.571	117 deposits for more than two years with the total value of Rs.3,039,717 had not been dealt with.	It has been informed that action will be taken to take all deposits that can be taken on income over 02 years into the revenue.	Financial regulations should be complied with.

## 2. Financial Review

### 2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2020 amounted to Rs.11,337,927 as compared with the excess of revenue over recurrent expenditure amounted to Rs.9,196,471 in the preceding year.

## 2.2 Revenue Administration

### Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Sabha are given below.

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
<p><b><u>Shop rent</u></b> The amount of Rs. 732,740 due before the year 2016 for leasing 119 shops belonging to the Sabha and Rs.3,309,235 from 2017 to 2019 had not been recovered.</p>	<p>It has been informed that the collection of arrears has been delayed due to the corona epidemic, and necessary action will be taken in the future.</p>	<p>Shop rent in arrears should be recovered.</p>
<p><b><u>Environment protection licence fees</u></b> As no action had been taken to renew the environmental protection license issued by the Pradeshiya Sabha, A revenue of Rs.372,000 had lost to the Pradeshiya Sabha fund</p>	<p>It has been informed that the survey could not be conducted due to Covid epidemic situation.</p>	<p>Action should be taken to renew the Environment protection licenses.</p>
<p><b><u>Court fines and Stamp duty</u></b> The court fines of Rs.4,693,003 and stamp duty of Rs.3,273,574 due from the Chief Secretary of the Provincial Council and other authorities as on December 31 of the year under review had not been recovered.</p>	<p>Schedules have been submitted to the relevant divisions.</p>	<p>Court fines and Stamp duties in arrears should be recovered.</p>