

Weligepola Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Weligepola 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 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 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 Weligepola 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.

- (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).

- (b) The recommendations except the paragraph 1.4.1 (a) made by me during the previous year are included in the financial statements presented as per the requirement of Section 6(1)(d)(iv).

1.6 Audit Observations on the Preparation of Financial Statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comment of the Sabha	Recommendation
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(a)	The amount of Rs.9,835,526 received by the Fund for the Development of Local Loans had been stated as Capital receipts therefore the value of the shortage had been understated by that amount.	Action will be taken to settle.	The Fund receipts should be accounted through the Loan Account.
(b)	The amount accrued had not been recognized by the billings relevant for the year even though the Trade License and the Industrial Tax for the year under review had been stated as Rs.1,136,550 in the accounts.	The Trade License and the Industrial tax that identified by the survey carried out had been recovered therefore there had no any receivable amount.	The accounts should be made under the accrued basis after recognizing the billings for the year under review.

1.6.2 Unreconciled Control Accounts

	Audit Observation	Comment of the Sabha	Recommendation
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	There was a difference of Rs.941,120 relevant for 04 items of accounts, between the balances as per the financial statements and the balances as per the corresponding reports.	There is a deficiencies therefore actions would be taken to settle the balance in the future.	The differences of the relevant balances should be reconciled and corrected.

1.6.3 Lack of Documentary Evidence for Audit

	Audit Observation	Comment of the Sabha	Recommendation
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	The necessary information had not been furnished for the audit on one item of account of an amount accumulated to Rs.4,500,000.	A part of a building had been demolished and an assessment report could not be obtained for that therefore actions would be taken to write off the value stated after the whole building had been demolished.	The cost vale stated should be written off by the account when demolishing the building.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the recurrent expenditure exceeding the revenue of the Sabha amounted to Rs. 553,741 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 8,698,546.

2.2 Revenue Administration

2.2.1 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
(a.) Rates and Tax		
i. Action had not been taken to recover the rates receivable of Rs.1,730,264 at the year under review and actions had not been taken according to the Section 20 of the Tax and Assessment Act No.30 of 1946 even though it mentioned that property should be assessed at least once 5 years.	A part of the income receivable had been recovered and action would be taken to appoint an extra employee to collect money.	The revenue in arrears of the Sabha should be recovered as soon as possible.
ii. The arrears of Rs.90,729 of the Acreage Tax at the year under review had been failed to recover.	The first owners could not be found therefore actions would be taken to recover or to write off after further investigations.	The revenue in arrears of the Sabha should be recovered as soon as possible.
(b.) License Fees		
122 institutions recognized that should obtain the environmental license, under the National Environment Act No.47 of 1980 amended by the At No.56 of 1988 and the Act No.53 of 2000 and the regulations imposed under that had not been obtained as at October 2020 therefore Sabha had been lost an income of Rs.442,600 and a timely environmental evaluation had not been carried out.	Actions would be taken to make the every effort to carry on the license procedure.	The revenue in arrears of the Sabha should be recovered as soon as possible.

(c.) **Other Income**

The Water charges in arrears from the year 2016 from 110 consumers of 05 Water Projects carried out by the Sabha accumulated to Rs.1,086,188 had been failed to take reasonable actions to recover during the year under review.

Disconnecting the Water Supply Service of the consumers who do not pay the bills had been commenced and 44 Supplies had been disconnected.

Actions should be taken to recover the arrears water charges.

(d.) **Court Fines and Stamp Duty**

Actions had not been taken to recover the Court Fines of Rs.1,329,887 and Stamp Fees of Rs. 3,075,300 in arrears from the Chief Secretary of the Municipal Council and the Officers.

Actions had been taken to prepare the Stamp Fees Register and to recover the Court Fines.

The revenue in arrears of the Sabha should be recovered as soon as possible.

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 Operating Inefficiencies

Audit Observation

According to the Section 10(6) of the Urban Development Authority Act No.41 of 1978 the valid time period of the Building Certificate should be a year, except an instance of lengthening of the time maximum for 02 years. But it had been issued only 14 Certificates of Conformity out of 102 Building Plans during the period of years 2016 to 2019.

Comment of the Sabha

Public had been informed that the acceptance of the Sabha should be obtained on every new construction and actions would be taken after further investigations.

Recommendation

The Buildings lapsed over 02 years should be recognized and given the Certificates of Conformity.

3.2 Shortcomings of Contract Administration

Audit Observation

According to the Work item No: 1.01 of the Estimate by the industrial Officer of the Construction of Thalgaskanda Stadium Phase II under the Provisions allocated by the Ministry of Provincial Road Development, Village Infrastructure Facilities, Tourism, Sports and Youth Affairs an amount of Rs.431,768 had been paid on 29 December 2020 to excavate 06 inches out from the surface of the proposed 2288 square metres land for the Stadium and dump them at a place pointed out before. It had been revealed that Sabha had been paid for task that had not been completed when the Technical Officer had been failed to show the actual place where the excavated soil had been dumped at the physical examination carried out on 04 March 2021.

Comment of the Sabha

Removal of the soil on the surface of the ground was a physical activity and when the time of the physical investigation the place where the soil had been dumped had been covered with scrub therefore it could not be seen.

Recommendation

The money paid for the tasks not completed should be recharged.