

1. Financial Statements

1.1 Adverse Opinion

The audit of the financial statements of the Wilgamuwa Pradeshiya Sabha including the financial statements for the year ended 31st December 2021 comprising the balance sheet as at 31st December 2021, Income and Expenditure Account 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 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, because of the significance of the matters described in paragraph 1.6 of this report, the financial statements do not give a true and fair view of the financial position of the Wilgamuwa Pradeshiya Sabha as at 31st December 2021 and its financial performance for the year then ended in accordance Generally Accepted Accounting Practices.

1.2 Basis for Adverse Opinion

I expressed adverse opinion 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 Adverse 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 Practices, 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)

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

National Audit Act, No.19 of 2018 includes specific provisions for following requirements.

- (a) The financial statements of the Pradeshiya Sabha presented is consistent with the preceding year as per the requirement of Section 6(1)(d)(iii) of the National Audit Act, No.19 of 2018.

- (b) The financial statements presented includes all the recommendations made by me in the previous year 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	Comments of the Sabha	Recommendation
(a)	Court fine fees received for the previous year and the year under review were recorded in the court fine income account instead of being recorded in the court fine account, the arrears of court fine receivable account and the court fine income of the year had been overstated by Rs.2,071,330.	The audited fact is accepted. It will be corrected through the account in 2022	Financial statements should be prepared accurately.
(b)	Although the sum presented in the statement of net assets prepared for the year under review was Rs.150,286,680, the statement of financial position had been overstated by Rs.4,984,225 since it was shown as Rs.155,270,905.	The audited fact is accepted. It will be corrected through the account in 2022	Financial statements should be prepared accurately
(c)	Although the surplus of the reviewed year is Rs.12,033,417 according to the statement of financial operations, it has been adjusted to the accumulated fund as Rs.7,076,983, so the balance of the accumulated fund had been understated by Rs.4,956,434.	The audited fact is accepted. It will be corrected through the account in 2022	Financial statements should be prepared accurately
(d)	In the statement of net assets prepared for the year under review, the total value to be carried forward from the year 2020 of Rs.10,949,297 was omitted from the grant and reserve accounts, the equity of the current year had been understated by that amount.	The audited fact is accepted. It will be corrected through the account in 2022	Financial statements should be prepared accurately
(e)	Although the capital aid receipts in the reviewed year were Rs. 7,432,603, in the statement of financial operations, had been overstated by Rs. 6,875,588 since it was shown as Rs. 14,308,191.	No answers	Financial statements should be prepared accurately

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Sabha	Recommendation
A difference of Rs.14,584,582 was observed between the value as per financial statements and the value as per corresponding reports of 28 account subjects.	Action will be taken to correct.	Differences should be identified and the accounts corrected.

1.6.3 Suspense Account

Audit Observation	Comments of the Sabha	Recommendation
Suspense account balance of Rs.1,501,545 which has been carried forward, Since before the year 2008, had not been settled.	All the information about this Suspense account balance, which has existed since the year 2007,will be looked into and corrected	Suspense Account should be settled.

1.6.4 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the non-submission of written evidence related to 05 account subjects amounting to Rs.110,920,248, it was not possible to verify satisfactorily during the audit.	That, it will be investigated and corrected.	Written evidence confirming the values of the account balances should be submitted to the audit.

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 31st December 2021 amounted to Rs4,347,452 as compared with the excess of revenue over recurrent expenditure amounted to Rs.1,139,387 in the preceding year

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
(a) The total revenue deficit of Rs.3,540,823 at the end of last year had increased to Rs.5,715,345 at the end of the year under review.	No answers.	Arrangements should be made to collect the arrears.
(b) As at the end of the year under review,	That, this money will be	Arrangements

arrears of Rs.480,739 including arrears of Rs.143,292 due from 665 assessment units in the public sector had not been recovered. recovered in the future. should be made to collect the arrears.

- (c) According to the Special Provisions Act No.48 of 1971 on Local Government Authorities, the property must be assessed at least once in 05 years to collect the assessment, but the assessment was collected in the year under review based on the assessment of the year 2011. If the gazette which stopped the new assessment for 02 years is cancelled, there is a possibility to implement the new assessment in 2023. A new assessment should be made and efforts should be made to increase the income.
- (d) Arrears shop rent of Rs.665,316, which has not been collected for over 12 years, was also not collected during the year under review. Although these rents could not be recovered due to not having any ownership of the land, action will be taken to write off this money. Arrangements should be made to collect the arrears.
- (e) Due to the failure to transfer the ownership of the 11 public market stalls to the council for more than 12 years, The council had lost the income it could have received from the lease on a new assessment. The divisional secretary has been requested to hand over these shops to the council. Arrangements should be made to take over the ownership of the stalls to the council.

3. Operational Review

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 03 of the Pradeshiya Sabha Act are shown below

3.1 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Although 103 water tanks were purchased at a cost of Rs.478,900 to provide 500 liter water tanks for 103 households living with kidney patients under the Provincial Specific Development Grant – 2018 under Special Economic Infrastructure Development Program, The water tanks were not given to the concerned beneficiaries.	For Public use, on the intervention of the concerned Member of Council, it has been provided for placement in public places.	Arrangements should be made to provide the water tanks to the concerned beneficiaries.

- (b) According to a preliminary inspection conducted in 2019, regarding a shortage of 40 galvanized iron (GI) pipes belonging to the pradeshiya sabha, Although the relevant F.R.104(4) inspection recommended to recover the legal losses from the officials involved, but the losses had not been recovered.
- Reminder letters have been sent to the concerned officials and Members of the Council for non-payment of surcharges.
- According to F.R.104, arrangements should be made to collect the value of the related deficiency.

3.2 Idle or underutilized Property, Plant and Equipment

 Audit Observation

 Comments of the Sabha

 Recommendation

There were many fixed assets owned by the Prashiya Sabha but not utilized for a long time. Many of these fixed assets were in a non-reusable condition and spare parts required for repair were not currently available in the market for many vehicles and machinery. Accordingly, action had not been taken to dispose of these assets

That after the release of revenue license fees in arrears, it will be disposed of

Action should be taken to dispose as per the Financial Regulation 770(4)(b).