

Wattala Pradeshiya Sabha - 2021

1. Financial Statements

1.1. Qualified Opinion

The audit of the financial statements of the Wattala Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising the statement of assets and liabilities as at 31 December 2021, comprehensive income statement, statement of changes in net equity, 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 financial statements give a true and fair view of the financial position of the Wattala Pradeshiya Sabha as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

1.2. Basis for Qualified Opinion

I expressed qualified 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 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 **Sri Lanka Public Sector Accounting Standards for Local Authorities** 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.

- 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 financial statements of the Pradeshiya Sabha are in consistence with that of 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	Comment of the Sabha	Recommendation
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(a) The error that stating The Capital Grants received preceding year of Rs.78,408,018 as an income that year had been corrected this year under the Journal Entry No.35 as Rs.77,775,140 therefore the balance of the Capital Grants understated and the balance of the Accumulated Fund had been overstated by Rs.632,878.	It had been corrected by the year 2022.	Actions should be taken correct it by the financial statements for the year 2022.
(b) Even though it would not be effected to the Financial Result, when recognizing the other comprehensive revenue in the comprehensive income Statement, the value of the Capital Expenditure Grants recognized on the Excess/ Shortage of Rs.7,777,514 had been added instead of deducting it therefore the	Actions would be taken to make it correct by the financial statements for the year 2022.	The Capital Expenditure Grants recognized on the Excess/ Shortage should be deducted when recognizing other comprehensive revenue for the year 2022

comprehensive income for the year had been overstated by Rs.15,555,028.

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| (c) The Stamp Duty and Lawyer Fees of Rs.311,500 had not been capitalized with the value of the Land. | Agreed. Actions had been taken to add the stamp duty and the lawyer fees to the value of the land and capitalized as at 15 August 2022. | The stamp duty and the lawyer fees should be added to the value of the Land and capitalized. |
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1.6.2 Unreconciled Control Accounts

Audit Observation	Comment of the Sabha	Recommendation
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(a) There was a difference of Rs.2,888,858 relevant for 21 items of accounts, as at 31 December 2021 between the balances as per the financial statements of Rs.517,234,895 and the balances as per the corresponding reports of Rs.520,123,753	The difference relevant to 19 items of accounts had been done. (except for rates and stock balances) It would be presented by the supplementary documents of the year 2022.	Actions should be taken to reconcile the balances between the financial Statements and the corresponding reports and maintain them.
(b) The receivable balance as at 31 December 2021 according to the financial statements had been Rs.221,002,530 and according to the age analysis it had been Rs.225,054,010 therefore a difference of Rs.4,051,480 had been observed.	Agreed	Actions should be taken to reconcile the balances between the financial Statements and the corresponding reports and maintain them.
(c) The payable balance as at 31 December 2021 according to the age analysis had been Rs.161,930,302 and the balance according to the financial statements had been Rs.161,735,502, therefore a difference of Rs.194,800 had been observed.	Agreed	Actions should be taken to reconcile the balances between the financial Statements and the corresponding reports and maintain them.

1.6.3 Receivable and Payable Accounts

Audit Observation	Comment of the Sabha	Recommendation
(a) Actions had not been taken to recover the receivable balances according to the age analysis regarding less than 1 year, between 1 to 3 years, between 3 to 5 years, between 5 to 10 years and more than 10 years balances respectively of Rs.121,883,529, Rs.42,232,915, Rs.19,976,997, Rs.23,831,721 and Rs.17,128,848.	Agreed.	Actions should be taken to recover after proper investigations.
(b) A debit balance remained in the VAT account of Rs.1,261,013 as payable deposits since the year 2020 because of the value added tax revenue had been exceeded the expenditure. The Provincial Councils had been released by the Value Added Tax from the year 2021 that balance had not been settled.	Agreed.	Actions should be taken to settle the balance in the value added tax account.
(c) Actions had not been taken even by 22 August 2022, to settle the payable balances regarding periods less than 01 year, between 1 to 3 years, between 3 to 5 years, between 5 to 10 years and more than 10 years amounting to Rs.125,671,979, Rs.33,836,675, Rs.1,406,521, Rs.260,408 and Rs.689,945 respectively as per the age analysis.	Agreed.	Actions should be taken to pay the payable balances.

1.7 Non-Compliances

1.7.1 Non Compliances with the Rules, Regulations and Management Decisions

Ref. to the rules regulations etc	Value Rs	Non- Compliance	Comment of the Sabha	Recommendation
Section F of the Circular No.LGD/04/2016 dated 28 April 2016 by the Commissioner of Provincial Council	140,000,000	When converting the fixed deposits to cash the prior approval should be obtained from the Assistant District Commissioner Rs.80 million of fixed deposits in the year 2018, Rs.60 million in the year 2020 had been converted into cash against it and even though according to the decision taken by the Sabha dated 26 march 2019 the main objective of converting fixed deposits into cash had been the construction of a shopping complex and a crematorium it had been spent on the general administrative expenditure instead of construction.	Actions would be taken to obtain the prior approval from the Commissioner of Provincial Council when converting fixed deposits into cash.	Actions should be taken to obtain the approval from the Commissioner of Provincial Council and use the money on the objective task according to the Circular.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2021 amounted to Rs.120,504,997 as compared with the excess of revenue over recurrent expenditure amounted to Rs.257,160,854 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance in the Collection of Revenue

Audit Observation	Comment of the Sabha	Recommendation
(a) Rates and Tax		
Action had not been taken to recover the rates in arrears or ban the property according to the age analysis regarding less than 01 year, between 1 to 3 years, between 3 to 5 years, between 5 to 10 years and more than 10 years balances respectively of Rs.13,352,937, Rs.22,103,096, Rs.19,284,014, Rs.21,746,205 and Rs.12,887,412.	Agreed. Because of the Corona Pandemic Situation within the country in 2021 banning Property could not be done.	Actions should be taken to analyse the rates in arrears and recover the balance by following a necessary procedure.
(b) Stall rent		
(i) According to the age analysis the balance of the arrears stall rent as at 31 December 2021 of Rs.8,371,899 included regarding less than 01 year, between 1 to 3 years, between 3 to 5 years, between 5 to 10 years and more than 10 years balances respectively of Rs.2,260,737, Rs.813,524, Rs.437,716, Rs.1,994,391 and Rs.2,865,531. Actions had not been taken to recover this arrears in stall rent.	Agreed.	Actions should be taken to analyse the arrears stall rent and recover the balance by following a necessary procedure.
(ii) The billing for the year under review had not been done for 08 stalls in Hendala Sub Office because of not making new agreements even though the agreement period had been over. Also actions had not been taken to recover the rent in arrears as at 01 January 2021 of Rs.1,974,178 from these stalls until 12 July 2022.	Agreed.	Actions should be taken to investigate that the stalls would be maintained further, to make a new agreement on a new valuation and to recover the monthly rent and the rent in arrears.

(c) **Lease Rent**

Action had not been taken to recover the lease rent regarding 06 stalls of Rs.366,249 as at 31 December of the year under review. Agreed.

Actions should be taken to recover the arrears lease rent.

3. Operating 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 3 of the Pradeshiya Sabha Act are shown below.

3.1 Management Inefficiencies

Audit Observation -----	Comment of the Sabha -----	Recommendation -----
Giving a Land from the Sabha to the Solid Waste Management Project at Dikowita -----		
(a) A lease rent amount of Rs.525,000 from a private institution for the year 2009 to May 2011 and from the Authority of Solid Waste Management of Rs.2,925,000 for 01 July 2011 to 01 April 2021 should be recovered for the land given to a Solid Waste Management Project at Dickowita and also this amount had not been stated in the accounts.	Authority of Solid Waste management had been informed to cancel the agreement and return the land. The Burns institution had been informed several times about the payment of arrears rent and inform that the legal actions are being taken.	Actions should be taken to recover the arrears and state the arrears in the accounts.
(b) All the roads should be surveyed, make a register and acquired to the possession of the Sabha after publishing through a Gazette according to the section 24(1)(b) of the Pradeshiya Sabha Act No15 of 1987, but actions had not been taken regarding 1909 roads accordingly.	Actions would be taken in the future to survey all the roads and publish the register of names in a government gazette and acquire to the Sabha.	According to the act the roads within the authority of the Sabha should be acquired to the possession of the Sabha.

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| (c) | Even though 34 institutions had been recognized by Welisara sub-office through survey of Environmental License for the year 2021 as institutions that should be obtained the Environmental License no Environmental License had been issued for the year. Also the Hendala and Pamunugama sub-offices had not been carried out survey of Environmental License. | Because of the country lock down for Covid Pandemic out break several times business had been closed down therefore none came to obtain the Environmental License that year. | Actions should be taken to charge the revenue from the recognized institutions and carry out the survey of Environmental License and recognize the institutions. |
| (d) | Even though the rates should be valued every 05 years' time according to the Tax and Valuation Ordinance No.30 of 1946, 58,003 property had calculated the rates on the rates valuation made in the year 2008. | Agreed. The details regarding the property are being collected to make a new valuation from the year 2020 with the collaboration of the Department Of Provincial Council and Department of Valuation. Actions should be taken to recover the rates by issuing new numbers for rates through the revenue inspector when a land is sub divided and issue the certificate of conformity for a new constructions of a house. | Actions should be taken according to the Act to obtain the new rates for recovering rates. |

3.2 Idle or Underutilized Property, Plant and Equipment

Audit Observation

The cab had been let to decay in Welisara Yard that had not been not entered into the financial statements of the Sabha because the registered possession of the vehicle is for the Ministry of Finance and the value could not be recognized and actions had not been taken to repair or acquire the possession and dispose it regularly.

Comment of the Sabha

Actions would be taken to dispose the Cab after acquiring the possession of the Cab from the Ministry of Finance because it could not be repaired.

Recommendation

Actions should be taken to receive the possession of the vehicle and repair to reuse or dispose.

3.3 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
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(a) Not certifying the protection of the Vehicles		

160 Lands had been shown in the financial statements as at year under review but Deeds had not been available for 82 out of it.	The tenders had been offered to make deeds and the plans.	The Protection of the Assets should be certified by making the deeds.
(b) Not recovering the revenue from the assets		

A building and a bus stand had been built by spending Rs.02 million by the Sabha Fund in the year 2014 in a land of 02 roods and 11 perches where Hendala Slaughter house had been located. That place had been given to a private buses and vehicles park without any charge. According to the valuations letter sent by the Department of valuation on 22 February 2021 even though it had been stated that the value of the lease rent per annum of Rs.976,000 that should be received by the Roads Transport Authority, Sabha had lost the income that could be earned because of not taking actions accordingly.	The Road Transport Authority had been informed to make the agreement under the valuation made by the Government. They responded that such an amount could not be given under an economic crisis, therefore an answer would be given after a discussion with the Ministry. They were informed that to make the agreement and pay the valuation amount or return the land.	Revenue should be earned by the assets owned by the Sabha.
(c) Assets not acquired		

Action had not been taken to acquire vehicles received from the year 2012 to year 2019 of Rs.41,144,290 from other state institutions for the use of the Sabha as at July 2022.	The documents regarding acquisition had been handed over to the Department of Motor Traffic.	Actions should be taken to acquire the assets to the Sabha.

(d) **Alienation of assets**

The Pass Watta Land in Uswatakeiyawa of 11 Acre 02 Roods and 11 Perches donated as a deed of gift to the Wattala Pradeshiya Sabha by Rev. Dr. Nicholas Marks Fernando in the year 1988 valued as Rs.188,000 had been separated into nearly 57 pieces and alienated through deeds of gifts by the Chairman and the Secretary of the Sabha in the year 1991.

A explanation requested the Lawyer who made the Deeds for the pass Watta land in Uswatakeiyawa.

Actions should be taken to The objective of the deed of transfer should be accomplished.

3.4 Procurement Management

Audit Observation

- (a) A procurement plan had not been made for the year under review.
- (b) 113 t-shirts of Rs.87,395 paid by the Sabha fund had not been received when purchasing t-shirts for the officers and employees of the Sabha and the loss had not been recovered.

Comment of the Sabha

- Agreed.
- Agreed. The supplier had been agreed at the Wattala Police Station to pay this amount within 30 days.

Recommendation

- Purchasing must be done as a Procurement Plan made.
- The loss should be recovered by the supplier or the responsible parties.

3.5 Human Resources Management

Audit Observation

- (a) **Employee Vacancies**

45 vacancies had ben remained in the Staff of the Saha as at 31 December 2021

Comment of the Sabha

The relevant officers or the vacancies had been requested by quarter reports and letters. But the vacancies had not been filled.

Recommendation

Actions should be taken to fill the vacancies.

(b) Employee Loans

Actions had not been taken to recover the arrears in employee loans as at the end of the year under review included a balance of Rs.381,900 regarding 10 retired employees, a balance of Rs.409,698 regarding 02 diseased employees, a balance of Rs.354,810 regarding 02 employees who left the service, a balance of Rs.146,030 of 14 employees for other reasons total of Rs.1,292,438 as at 31 July 2022.

Actions would be taken to recover.

The employee loan balance should be recovered guarantors by the gratuity by pension, gratuity by death and the parties liable.

3.6 Objectives of Sustainable Development

Audit Observation

A Sustainable Development Plan for the year 2019-2023 had been made but no actions had been taken to implement any within the year 2021 to accomplish the Sustainable Development through making the life and the health of the public within the authority of the Pradeshiya Sabha high according to the Global indices

Comment of the Sabha

The plans could not be implemented due to the pandemic situation within the country in the year 2021.

Recommendation

The annual plan should be implemented on the Sustainable Development