

Wilgamuwa Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Wilgamuwa Pradeshiya Sabha for the year ended 31st December 2020 comprising the balance sheet as at 31st December 2020, 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 reported to parliament appear in this report.

In my opinion, except for the effects of the 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 Wilgamuwa Pradeshiya Sabha as at 31st December 2020 and of its financial performance for the year then ended in accordance with Generally accepted Accounting Principles

2. Basis for Qualified Opinion

My opinion is qualified 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 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 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

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 previous 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 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	Comments of the Sabha	Recommendation
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i) The amount of Rs.330,000 that was spent on the renovation of the Pradeshiya Sabha office, Phase II Industry had been omitted by the creditors.	That action will be taken to rectify by 2021 account	Financial statements should be prepared correctly.

ii) The amount paid to the creditors during the year under review was Rs.19, 895,311 but in the creditors' account it was underr stated by Rs.1,951,678 as Rs.17, 943,633.	That action will be taken to rectify by 2021 account	Financial statements should be prepared correctly.
iii) During the year under review, Rs.19,895,311 had been received as Industry debtors but the Industrial debtors' balance had been overstated by Rs.7,324,000 due to recording of Rs.12,571,311 as cash received in the debtor's account.	That action will be taken to rectify by 2021 account	Transactions should be correctly accounted for.
iv) Payments to creditors of Rs.500,000 in the year under review were recorded as an advance payment.	That action will be taken to rectify by 2021 account	Transactions should be correctly accounted for.
v) The aluminium water bowser worth of Rs.650,000 purchased last year had been accounted for in Motor vehicles and carts that year, but had been re-accounted as machinery and equipment in the year 2020.	That action will be taken to rectify by 2021 account	Purchases should be correctly accounted for.
vi) The final inventory of Field stores, stationery stores and closing stock for the year under review, was not calculated, and accounted for, and the initial balance of the inventory was accounted for as the final balance.	Actions are being taken to rectify.	Financial statements should be prepared correctly.
vii) The amount of Rs.1,670,000 received on behalf of the debtors was accounted for as court fines.	That action will be taken to rectify by 2021 account	Financial statements should be prepared correctly.
viii) The amount of Rs.106,500 received for stamp duty during the year under review was stated as direct debit in the bank reconciliation statement.	That action will be taken to rectify by 2021 account	Financial statements should be prepared correctly.
ix) Issuance of Special Advance of Rs.84,000 for the year under review,	That action will be taken to rectify by	Financial statements should be prepared

was not included in the employee 2021 account correctly.
loan balance, but was accounted for
in the interim imprest account.

1.6.2 Suspense accounts

No action had been taken to settle the longstanding Suspense account balances amounting to Rs. 1,501,545

1.7 Non-compliance

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

The following are the instances of non-compliance with the provisions of laws, rules, Regulations and Management decisions.

Reference to laws, rules and regulations	Non-compliance	Comments of the Council	Recommendation
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The National Environmental (Amendment) Act, No.56 of 1988 of the Democratic Socialist Republic of Sri Lanka dated 17 th December 1988.	Although a survey of should have been conducted on trade licensed businesses and environmental protection licenses issued, in relating to 120 businesses it had not act accordingly.	The audit fact is accepted and the subject matter is being updated at present despite the omission of these functions due to the shortage of officers.	The act should be followed.

2. Financial Review

2.1 Financial results

According to the financial statement presented, excess of revenue over recurrent expenditure of the Council for the year ended 31st December 2020 amounted to Rs.1,139,387, as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.12,559,960. It was observed that the reasons for these variances are increase in salaries and allowances payments, increase in capital expenditure and transportation expenses, and decrease in service and rent income.

2.2 Revenue administration

2.2.1 Performance in Revenue collection

Audit observation	Comments of the Sabha	Recommendation
Rates and taxes		
(a) By the end of the year under review, no action had been taken to recover the arrears of Rs.402,077 including Rs.143,292 arrears in the public sector.	That, the property would be banned and action would be taken to recover this arrears	Action should be taken to recover the arrears as per Section 158 of the Pradeshiya Sabha Act No.15 of 1987.
(b) Although the assessment should have been done every 05 years, The Sabha had lost the revenue it was entitled to, due to the assessment levied on the assessment in 2011.	That action will be taken upon receipt of the final assessment report.	Action should be taken to collect the revenue that the Sabha can earn.
(c) At the end of the year under review, no action had been taken to recover the total water charges of Rs.847,708.	The water supply of unpaid water consumers will be disconnected and necessary action will be taken.	Arrears should be collected immediately.
Rent		
Although the rent for 11 public market stalls has been estimated at Rs.897,069 for a long time, Due to the failure of the Sabha to take over its ownership, the Sabha lost the revenue it could have earned by leasing at a new assessment.	The requisition is made to hand over these shops but have not been handed over yet. Further, this problem exists in all the lands of Hettipola town.	Action should be taken to earn the revenue that the Sabha can earn.

3. Operational Review

Following matters were revealed with regard to duties to be fulfilled by Sabha as per the Section 03 of the Pradeshiya Sabha Act, in relating to regulation and control of all the matters relating to Public health, Public utility services and public highways, comfort, convenience and welfare of the people.

3.1 Management inefficiencies

Audit observation

During the year under review, no action had been taken to settle the balance of five accounts receivable amounting to Rs.910,704 which had been brought forward without change in financial statements for a long time.

Comments of the Sabha

That, Action will be taken to correct.

Recommendation

Action should be taken to recover the receivable balances.

3.2 Assets management

Audit observation

The damage caused by the accident in which the Sabha cab collided with a lorry on August 10th 2020 was Rs.1,670,381 as per the financial regulation 104 (3) inspection report and It was not confirmed that the cab was on duty at the time of the accident. The loss was not recovered by conducting a financial regulation 104(4) final investigation and determining the liability.

Comments of the Sabha

That, a board of inquiry has been appointed to recover the loss.

Recommendation

Financial regulations should be followed.

3.3 Human resource management

Audit observation

As at 31st December of the year under review, there were 24 vacancies for 09 posts in the Sabha.

Comments of the Sabha

The top management had been informed regarding these vacancies.

Recommendation

Action should be taken to fill the vacancies.

4. Accountability and Good Governance

4.1 Environmental issues

Audit observation	Comments of the Sabha	Recommendation
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(a) Contrary to the Local Government Commissioner's Circular No. 4/1/2020 dated August 24 th 2020; the Wilgamuwa Pradeshiya Sabha had handed over 0.150 tons of recyclable garbage collected during the year under review to the Digampathaha Kawashima Garbage Yard.	Although it was informed by the Circular, this decision has been taken with the approval of the Council as a possible solution to the problems that have arisen in practice and related matters.	Circulars should be complied with.
(b) No action had been taken to renew four businesses whose environmental protection licenses had expired.	Actions are being taken to issue environmental protection licenses.	It should be implemented in accordance with the Environmental Act No.56 of 1988.