

Weligama Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Weligama 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 Changing 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 accompanying financial statements give a true and fair view of the financial position of the Weligama Pradeshiya Sabha as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Principles.

1.2 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 skepticism 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshिया Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements

1.6 Audit observations regarding the preparation of financial statements

1.6.1. Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Credit provision had not been made for the payable industrial expenditure amounting to Rs.98,145 as at the end of the year under review.	Actions will be taken to correct in future.	Should be accounted correctly
(b) The value of the office building in Palana was shown as Rs. 18,703,804 in the financial statements however, it was Rs. 18,520,035 according to the Fixed Assets Register at the end of the year under review.	The reason for that was the capitalized value had not been recorded in the land and building register.	Should be accounted correctly.
(c) The value of the lands and buildings belongs to the Sabha had not been assessed and updated and the value of the 14 lands owned by the Sabha had not been assessed and accounted.	The value will be assessed and accounted after the completion of the land and building survey.	
(d) The license fee due from three hotels registered in the Tourist Board in the year 2018 had been cut off by Rs. 190,832 without approval therefore the license fee had been under stated by that amount.	The over provision in between the accounted value amount and the actual amount amounting to Rs.190,832 had been cut off.	

- (e) Rs. 767,480 had been spent for reimbursed street lamp and this amount had been deducted from the Surplus Deficit account as Rs. 1,137,290, therefore the balance had been understated by Rs. 369,810
- The write off have been made due to non-refund of money and action will be taken to rectify it in the future.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, revenue over recurrent expenditure of the Sabha for the year ended 31 December 2020 amounted to Rs. 95,226,175 as compared with against the revenue over recurrent expenditure amounted to Rs. 88,203,142 in the preceding year.

2.2 Revenue Administration

2.2.1 The performance of the Revenue Collection

Audit Observation -----	Comment of the Sabha -----	Recommendation -----
(a) There was an arrears of assessment of Rs.16,076,408 as at the end of the year under review. .	The steps will be taken to recover the arrears in the future when the health condition of the country improves.	Arrears of income should be recovered promptly.
(b) There was an arrears of rent of Rs.1,847,897 as at the end of the year under review.	Rs.58,798 form that arrears had been recovered as at 30 April 2021.	Arrears of income should be recovered promptly.

2.2.2 Surcharges

Audit Observation -----	Comment of the Sabha -----	Recommendation -----
I had imposed 09 surcharges amounting to Rs. 7,487,954 in last year against those responsible under the provisions of the Pradeshiya Sabha Act.	It is the responsibility of the Commissioner of Local Government to collect surcharges under Section 172 (3) of the Pradeshiya Sabha Act No. 15 of 1987.	Should be act in accordance with the provisions of the Act.

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 3 of the Pradeshiya Sabha Act are shown below.

3.1 Operational inefficiencies

Audit Observation

Damage to roads due to plumbing had not been assessed by an assessment officer of the Sabha and the roads had not been repaired using the collected charges amounting to Rs. 392,604.

Comment of the Sabha

The Sabha has not yet repaired the damage caused to the roads during the laying of water pumps and will take steps to repair these roads in the future.

Recommendation

Charging should be done properly.