

Wanathawilluwa Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the **Wanathawilluwa** Pradeshiya Sabha for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020, statement of financial operations and the statement of changes in net assets for the year then ended and significant accounting policies and other explanatory information 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 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 **Wanathawilluwa** 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 on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 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 (Responsibilities of Auditors 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 exercise 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, 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 Other Legal Requirements relating to Reports

Special provisions with regard to the following were included in the National Audit Act No. 19 of 2018.

- (a) The financial statements of the Pradeshiya Sabha were similar to the previous year as per the requirement pointed out in Section 6(1)(d)(III) of the National Audit Act No. 19 of 2018.
- (b) Recommendations made by me during the previous year were included in the financial statements presented in terms of requirements pointed out in Section 6(I) (d) (IV) of the National Audit Act No. 19 of 2018.

1.6 Audit Observation with regard to Preparation of Financial Statement

1.6.1 Accounting Deficiencies

Audit Observations	Comments of the Sabha	Recommendation
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(a) Disclosures had not been made in the accounts in respect of stock of goods amounting to Rs. 42,270 lost during the year under review.	I will take action in future to remove it through journal entries.	Action should be taken in accordance with Accounting Principles.

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| (b) | The value of land at the extent of 01 acre 02 roods on which Wanathawilluwa children park and Eluwankulam Circuit Bangalow were situated, had not been assessed and brought to account. | I will take action to asses this land and bring to the account. | Action should be taken to assess the value and bring to the account. |
| (c) | Disclosures had not been made in the accounts in respect of value payable for a water motor valued at Rs.10,000 obtained from outside person for the vehicle service center but lost at present. | I will take action in future to rectify it. | Disclosures should be made in the accounts in respect of the value payable. |

1.6.2 Lack of Documentary Evidence for Audit.

<u>Audit Observations</u>	<u>Comments of the Sabha</u>	<u>Recommendation</u>
(a) Three items of accounts aggregating Rs. 209,155,080 could not be satisfactorily checked in audit due to non-submission of necessary information.	I will take action to obtain deed of transfer and confirmation of balances and submit to audit.	Documentary evidence confirming the account balances shown in the financial statements should be presented.

2 Financial Review

2.1 Financial Results.

According to the financial statements presented, excess of recurrent expenditure over recurrent revenue of the Sabha for the year ended 31 December 2020 amounted to Rs.1,045,373 as compared with the corresponding excess of recurrent expenditure over recurrent revenue of the previous year amounted to Rs.2,662,719.

2.2 Revenue Administration

2.2.1 Performance of Collection of Revenue.

<u>Audit Observations</u>	<u>Comments of the Sabha</u>	<u>Recommendation</u>
(i) Action had not been taken to recover the rates and taxes amounting to Rs.199,309.	I inform you that action will be taken to recover the arrears of rates and taxes.	Action should be taken to enhance the performance of collection of revenue.

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| (ii) | Lands thereon acreage tax to be recovered, had not been identified by carrying out a survey and action had not been taken to recover the arrears of revenue amounting to Rs.144,537. | I inform you that action will be taken to recover the arrears of acreage taxes. | Action should be taken to enhance the performance of collection of revenue. |
| (iii) | Action had not been taken to recover the business tax and industrial tax aggregating Rs. 77,760 as at 31 December 2020. | I inform you that necessary instructions were given to the relevant officers to take action in this regard. | Action should be taken to expedite the recovery of arrears of tax. |
| (iv) | Arrears of lease rent aggregating Rs.200,980 relating to 03 business places had not been recovered. | I inform you that legal action was taken to recover the arrears amount. | Necessary regulations should be followed to expedite the recovery of arrears of stall rent. |
| (v) | Proper measures had not been taken to expedite the recovery of rent dues amounting to Rs.502,918 that should be recovered for the period 2013 - 2020 from 21 stalls given on rental basis and action had not been taken even to take over the stalls. | I inform you that all possible measures were taken to recover the arrears of stall rent and it was unable to take over the stalls again on the basis of not taking action by the Divisional Secretary to transfer the land on which the relevant stalls were situated. | Action should be taken to expedite the recovery of arrears of stall rent. |
| (vi) | Action had not been taken to recover the arrears of business license fees amounting to Rs. 70,500 that should be recovered relating to 72 businesses units as at 31 December 2020. | I inform you that necessary instructions were given to the relevant officers in this regard. | Action should be taken to expedite the recovery of arrears of business license fee. |

3. Operating Review

Matters observed with regard to fulfilling regulation and administration of facts relating to public health, public utility services and public roads with the protection of comfort, convenience and welfare of the people by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

3.1 Management Inefficiencies.

	<u>Audit Observations</u>	<u>Comments of the Sabha</u>	<u>Recommendation</u>
(a)	Buildings valued at Rs.3,209,301 and a stock of body building equipment valued at Rs.2,811,200 had remained idle since year 2019.	I hope to utilize this building for other purposes.	Action should be taken to utilize the assets completely.
(i)	A sum of Rs.527,400 had been paid as salaries for the year 2020 to a library assistant who was engaged in the service at the 06 th mile post vehicle service center, had not reported for duty as confirmed at the examination carried out frequently by the officers of the Pradeshiya Sabha, without carrying out a disciplinary action.	It was reported to the Commissioner of Local Government and I hope that examination in this regard will be carried out in future by the Department of Local Government.	The existing rules and regulations should be adopted for administration of employees.
(ii)	Further, a stock of goods and cash valued at Rs.42,270 were lost at the service center, However, action had not been taken to carry out preliminary inquiries and identify the persons responsible for that up to the date of audit on 05 March 2021.	I inform you that it was pointed out in the Police report that this matter was reported to the Puttalam Magistrates Court under case No.B.R.74443/2020 by the Police.	Prompt action should be taken by carrying out follow up action relating to inquiries.

3.2 Solid Waste Management

The Garbage Management Project constructed by the Sabha in the year 2017 by spending Rs.4,238,610 had been stopped since year 2018 and restarted on 19 August 2020. Even though 305 Kilo grams of decaying garbage were collected per day by the Sabha, only 250 Kilo grams of fertilizer were produced in the year 2020 and as such it was observed in audit that this solid waste management center had not been completely utilized.

Even though the composting processes was stopped as the floor concrete of the solid waste management center was cracked and damaged, it was restarted in the year 2020 after making repairs. Utilizing the decaying garbage into the composting process is not done in the same day due to the prevailing shortage of laborers. It was unable to utilize the garbage completely due to the threats of animals.

The project activities should be implemented continuously and the machineries should be fully utilized.

3.3 Procurement Management

<u>Audit Observations</u>	<u>Comment of the Sabha</u>	<u>Recommendation</u>
Nineteen tyres valued at the Rs.1,317,050 for which purchase decision was not taken by the Procurement Committee, had been purchased from the previous suppliers based on the approval of the Chairman.	I accept that there were some shortcomings in the procurement process of purchasing of tyres for the vehicles of the Sabha.	Action should be taken in accordance with provision of the Procurement Guidelines.