

Walallawita Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Walallawita 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 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 reported 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 Walallawita 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 express qualified opinion based 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, 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 include 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 recommendations which I made on financial statements for the preceding year are included 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 Non-Compliance with Sri Lanka Public Sector Accounting Standards for Local Authorities

Non -compliance with Reference to the Relevant Standard	Comments of the Sabha	Recommendation
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(a) Although the basis of measurement used to determine gross carrying values for each class of property, plant and equipment should be disclosed in terms of Section 6.20.of the Standard, no such disclosure was made in respect of property, plant and equipment in the financial statements of the year under review.	A qualified committee will be appointed and submit correct information in 2022 .	} Actions should be taken in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.
(b) Although the income contribution to capital account should be adjusted with the accumulated surplus/deficit account during the transition period in terms of Section 18.6 of the Standard, without doing so, the income contribution to capital account had been maintained.	Actions will be taken to correct in the year 2022.	

1.6.2 Accounting Deficiencies

Audit Observation

Comments of the Sabha

Recommendation

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| <p>(a) The provision for creditors for the audit fees amounting to Rs.1,367,825 were not made from the year 2002 to the year 2020 and estimated creditor provisions for the year 2021 have not been made available.</p> | <p>Actions will be taken to make provisions in the future .</p> | <p>Provision for audit fees and payment of such fees should be done properly.</p> |
| <p>(b) Although out of the capital grants received in 2020 amounting to Rs. 125,516,983 , sum of Rs.12,551,698 to be recognized as income in the year under review should be accounted for as transfers from Government for non-recurrent expenditure, the surplus was understated by that amount due to it was not so done.</p> | <p>Actions will be taken to correct in the year 2022</p> | <p>It should be accurately accounted for.</p> |
| <p>(c) Although the capital expenditure of Rs.12,551,698 should be deducted from the capital expenditure grants received in the year 2021 in surplus/deficit, the surplus had been overstated by the same amount due to it was not so done.</p> | <p>Actions will be taken to correct in the year 2022</p> | <p>It should be accurately accounted for.</p> |

2. Financial Review

2.1 Financial Results

The revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2021 in the financial statements submitted was Rs. 1,469,855 and the corresponding revenue exceeding the recurrent expenditure for the preceding year was Rs. 675,941.

2.2 Revenue Collection Performance

Audit Observation

Comments of the Sabha

Recommendation

The court fines and stamp duties receivable from the Chief Secretary of the Provincial Council and other authorities as per the financial statements as at 31 December 2021 was Rs.2,972,561 and Rs.2,885,688 respectively.

The schedules have been submitted .

Actions should be taken to recover the arrears court fines and stamp duties.

3. Operating Review

The matters observed in respect of executing of functions that should have been performed by the Council such as regulation and control, wellbeing of the public, facility and welfare regarding the matters public health, public utility services and public roads under Section 03 of the Pradeshiya Sabha Act are as follows.

3.1 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
Hela Bojunhala, which had been built in the office premises at a cost of Rs.2,000,000 in the year 2020 under the provisions of the Provincial Council, and the equipment that had been purchased at a cost of Rs.2,266,650 had not been utilized.	A lessee is being found.	Assets should be utilized.