

## **Walapane Pradeshiya Sabha - 2020**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Walapane Pradeshiya Sabha for the year ended 31 December 2020 comprising the balance sheet as at 31 December 2020 and the 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 Sabhas 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 presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Walapane 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**

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My opinion is qualified 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**

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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 Sub-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 to be prepared.

#### 1.4 Scope of Audit (Auditor's Responsibility in Auditing Financial Statements)

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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 scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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

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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.
- Except for the observations in Paragraph 1.6.1 (a), 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

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### 1.6.1 Accounting Deficiencies

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Audit Observation	Comment of the Sabha	Recommendation
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(a) No action had been taken to rectify accounting deficiencies worth Rs. 101,500 pointed out by my reports in respect of the financial statements for the preceding year.	Observation is accepted.	Errors should be identified and corrected in the preparation of financial statements.
(b) The garbage disposal strainer purchased at accost of Rs. 826,200 in the year 2020 had been brought to account as lands and buildings.	Action will be taken to correct this in the preparation of financial statements for the year 2021.	Assets should be correctly identified and brought to account.
(c) The current account in the People's Bank had not been used for transactions for a long time and the balance of Rs. 24,573 as at 31 December 2020 had not been brought to account.	This will be settled and thereafter, audit will be informed	Action should be taken to account for the balance.

## 1.7 Non-compliance

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

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are as follows.

<b>Reference to Laws, Rules, Regulations, etc.</b>	<b>Non-compliance</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) National Budget Circular No. 118 dated 11 October 2004	No action had been taken to recover the total loan of Rs.1,916,101 due as at 31 December 2020 from 31 officers / employees who had been transferred, had left the service, retired and died after serving in the Sabha.	Action will be taken to settle it and report the same.	Action should be taken in accordance with provisions of the Establishments Code.
(b) Circular No. 1988/22 of the Commissioner of Local Government dated 17 May 1988.	Although valuation of assessed property should be repeated at least every five years, taxes had been levied based on the valuation made in the year 2010.	Department of Valuation has been informed in this regard since 2016.	Action should be taken in accordance with the circular provisions.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 7,506,562 for the year ended on 31 December 2020 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.7,674,486.

### 2.2 Revenue Administration

#### 2.2.1 Performance in Collecting Revenue

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) <b>Rates and Taxes</b>		
i. The Sabha had not taken adequate steps to recover the arrears of revenue of Rs.1,508,163 that continued to exist for a period from 10 years to 33 years.	It has been informed that legal action could not be taken due to the lack of information in the Sabha to determine the	Action should be taken to recover revenue.

assessment tax limits and the request made to write off the arrears had not been approved.

- ii. According to the acre tax record at the end of the year under review, acreage tax of Rs. 61,271 was due from 27 lands and a sum of Rs. 45,456 was further remained recoverable as at 31 October 2021.
- Notifications have been made by letters.
- Action should be taken to collect revenue.

**(b) Rent**

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A rent of Rs. 3,802,753 was due from 34 shops owned by the Sabha as at the end of the year under review. Out of which, Rs. 1,024,110 was due from 10 lessees for a period of 01 to 05 years, whereas court cases had been filed only for two shops.

Action will be taken to recover the dues. Action has been taken to file cases for two shops.

Action should be taken to recover the arrears of rent.

**(c) Other Income**

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Without being directly levied charges for the vehicle park at Ragala town by the Sabha during the year under review, it had been leased at Rs. 410,000 to a person by tenders and he had levied the charges. Nevertheless, a sum of Rs. 227,500 remained arrears as at 31 October 2021 without being paid to the Sabha

Action has been taken to file a case against this matter.

Action should be taken to collect revenue.

**3. Operating Review**

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The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act , being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

### 3.1 Management Inefficiencies

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) Total value of 03 account balances receivable as at 31 December of the year under review from private parties was Rs. 24,564,253 of which Rs. 860,452 had continued to exist for more than 04 years. However, action had not been taken to recover that amount.	It has been informed that action will be taken to settle it in the future.	Action should be taken to recover the balances.
(b) Total value of 02 account balances payable as at 31 December of the year under review was Rs. 29,284,030 of which Rs. 4,598,583 had continued to exist for more than one year. However, action had not been taken to settle that balance.	It has been informed that attention will be drawn on this matter and action will be taken to settle the dues.	Action should be taken to settle the dues.

## 4. Accountability and Good Governance

### 4.1 Environmental Issues

#### Audit Observation

Installation of machinery at the Dambekele Waste Disposal Centre was still in progress even by 31 October 2021 although Rs. 30,554,104 had been spent for the provision of buildings and machinery under the Puraneguma Programme by the year under review. Waste management had not been systematically carried out due to lack of approved long-term plan on the environmental programme and not presenting an environmental plan regarding programmes for the year under review. The Sabha had done only disposal of the garbage collected in the area to a land in the Ragala area

#### Comment of the Sabha

Although arrangements have been made for the year 2020, the waste management plan could not be systematically carried out in the face of Corona epidemic. Action will be taken to prepare it in the future.

#### Recommendation

Waste management process should be streamlined.