

## Wallawaya Pradeshiya Sabha - 2021

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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 WallawayaPradeshiyaSabha including the financial statements for the year ended 31<sup>st</sup> December 2021 comprising the Statement of financial position as at 31<sup>st</sup>December 2021, Statement of Financial Operations Statement of changes in net assets, 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 PradeshiyaSabha Act No.15 of 1987and 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 financial statements give a true and fair view of the financial position of the WallawayaPradeshiyaSabha as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Practices.

#### 1.2 Basis for Qualified Opinion

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I expressed qualifiedopinion 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 FinancialStatements 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 Practices, 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 PradeshiyaSabha'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)**

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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 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 PradeshiyaSabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the PradeshiyaSabhahas complied with applicable written law, or other general or special directions issued by the governing body of the PradeshiyaSabha;
- Whether ithas performed according to its powers, functions and duties; and
- Whether the resources of the PradeshiyaSabhahad 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.

- (a) The financial statements of the PradeshiyaSabha 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 financial statements presented includes all the recommendations made by me in the previous year 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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(a) Although The documents confirming the ownership of 05 lands and 03 buildings which were included in the fixed assets registry with assignment numbers as belonging to the Sabha were not submitted to the audit, their value was accounted for under land and buildings as Rs. 63,300 and Rs.152,000 respectively.	It has been informed that the details of the transfer order numbers will be obtained by the Land Commissioner and verified through a field investigation and the ownership will be confirmed.	The value of land and buildings should be accurately assessed and accounted for by confirming whether there are transfer orders.

- (b) At the end of the year under review, industrial debtors amounted to Rs.3,623,204 had been under-accounted for hence the assets and operating surplus had been understated by that amount. It has been informed that it will be corrected in the year 2022. Debtors' value should be accurately identified and accounted for.

## 2. Financial Review

### 2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31<sup>st</sup> December 2021 amounted to Rs.15,871,403 as compared with the excess of revenue over recurrent expenditure amounted to Rs.11,337,927 in the preceding year.

### 2.2 Revenue Administration

#### 2.2.1 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
(a) Out of the Billed assessment tax revenue of Rs.6,029,505 in the year under review Rs.4,440,283 of assessment tax was not recovered as on December 31 <sup>st</sup> , 2021.	It has been informed that action will be taken to recover the tax arrears.	Billed revenue should be recovered.
(b) For 17 transmission towers established by 05 institutions in the area of Sabha authority ,Rs.51,000 business taxes due for the year under review, and Rs.156,000 due for the period from 2017 to 2021 had not been recovered.	It had been informed that all businesses taxes will be recovered in the current year.	Business taxes in arrears should be recovered immediately.

- (c) Rs.1,853,190 Rent income in arrears to be charged for renting out 02 back loader machines and a motor grader belonging to the Sabha from 2013 to December 31<sup>st</sup> of the reviewed year on 25 occasions to 20 outside parties had not been recovered. It has been informed that arrears recovery notices have been issued and that the arrears will be recovered immediately.
- (d) Billboard fees of Rs.1,051,465 to be charged in relation to the period from 2017 to December 31<sup>st</sup> of the year under review from 65 billboards, had not been recovered. It has been informed that the officials have been informed to charge the billboard fees.
- Arrears revenue should be recovered immediately.

### 3. Operational Review

#### Performance

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 Sabha under Section 03 of the Pradeshiya Sabha Act are shown below.

#### Management Inefficiencies

##### Audit Observation

From the year 2012 to February 2021, 50 percent of the environmental protection license inspection fees charged by the council had been paid as an allowance of Rs.582,000 to the officials of the environment committee without formal approval and had not been recovered.

##### Comments of the Sabha

It has informed that it will be referred to the Ministry Secretary through the Commissioner of Local Government for approval

##### Recommendation

A formal approval should be obtained for the payment of allowances.