

## **Wanathawilluwa Pradeshiya Sabha - 2021**

---

### **1. Financial Statements**

---

#### **1.1 Qualified Opinion**

---

The audit of the financial statements of the Wanathawilluwa Pradeshiya Sabha for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial operations, statement of changes in net assets and cash flow statement including a summary of 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 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 Wanathawilluwa Pradeshiya Sabha as at 31 December 2021, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

#### **1.2 Basis for Qualified Opinion**

---

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**

---

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)**

---

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

---

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- (a) The financial statements of the Pradeshiya Sabha are in consistence with that of the previous year as required by Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The recommendations made by me during the previous year are included in the financial statements presented as required by Section 6(i)(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	Comment of the Sabha	Recommendation
(a) The value of the land where the Eluwankulama circuit bungalow was situated had not been assessed and brought to account.	Accepted. It is informed that requests were made to the Director General of Wildlife on 22 February 2021 and the Commissioner General of Lands on 27 July 2021 to take over the lands to the Sabha	Action should be taken in accordance with accounting principles.
(b) Two fixed assets worth Rs.7,729,718 had not been brought to account.	It is informed that action will be taken to account for them as fixed assets by journal entries.	Action should be taken in accordance with accounting principles.

### 1.6.2 Lack of Documentary Evidence for Audit

---

Item	Comment of the Sabha	Recommendation
Evidence related to 02 items of account totaled Rs.28,625,948 had not been furnished to the audit.	Accepted. It is informed that the balance confirmations will be submitted in due course.	Written evidence should be presented.

## 2. Financial Review

---

### 2.1 Financial Result

---

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 3,141,870 for the year ended 31 December 2021 as against the expenditure exceeding the recurrent revenue for the preceding year amounting to Rs. 1,045,373.

## 2.2 Revenue Administration

### 2.2.2 Performance in Collecting Revenue

Audit Observation -----	Comment of the Sabha -----	Recommendat ion -----
<p>(a) <b><u>Rates</u></b></p> <p>There was an arrears of Rs. 7,985 from 10 units in the public sector, Rs.498,858 from 796 units in the private sector and Rs. 11,187 from 17 units in other sectors as at 31 December 2021, of which Rs.5,758 only had been recovered as at 31 August 2022.</p>	<p>Action will be taken to recover the dues in the future.</p>	<p>Action should be taken to recover the revenue in arrears.</p>
<p>(b) <b><u>Acreage Tax</u></b></p> <p>The outstanding acre tax, including Rs. 25,901 from 02 units of the Sri Lanka Cashew Corporation and Rs. 147,329 from 276 units of the private sector as at 31 December 2021 had not been recovered even by 31 August 2022.</p>	<p>Action will be taken to recover the dues in the future.</p>	<p>Action should be taken to recover the revenue in arrears.</p>
<p>(c) <b><u>Water Tax</u></b></p> <p>Outstanding water tax relevant to 380 units of Rs.1,560,649 had not been recovered as at 31 December 2021 and the outstanding water tax balance as at 31 August 2022 was Rs.858,406, it included an unrecoverable balance of Rs.52,491 related to 29 units.</p>		