

Athuraliya Pradeshiya Sabha – 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Athuraliya Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising the Statement of financial position as at December 2021, Statement of Financial Operations, Statement of Changing 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 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 Athuraliya Pradeshiya Sabha 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 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 (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 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 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 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, 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) 1080 items valued at Rs.311,360 belonging to 165 types of equipment and materials which are not in the form of fixed assets and consumables were accounted under Furniture and equipment.	The action will be taken to identify remove from the account the inventories and consumables not in the form of fixed assets.	Should be accounted correctly.
(b) The total employee loan balance was Rs.5,545,178 as at the end of the year under review, however it had been accounted as Rs.5,247,647 by less of Rs.297,531.	The actions will be taken to correct the financial statements prepared for the year 2022.	Should be accounted correctly.
(c) The provision had not been made under sundry creditors for sundry expenses amounting to Rs.334,456 as at the end of the year under review.		
(d) The interest receivable amounting to Rs.67,656 from 05 fixed deposits maintained by the Sabha at a state bank in the year under review had not been accounted.		
(e) The value of 63 books donated to Tibbotuwawa and Wilpita public libraries in previous year had not been calculated and accounted for in the year under review.	The value of the books will be taken from the institutions that donated the books and accounted.	Should be accounted correctly.

1.6.2 Non-reconciled Account or Records

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs. 748,595 in between the balances related to 06 accounting items amounting to Rs. 7,977,702 included in the financial statements and the balances shown in the relevant documents/schedules.	The action will be taken to account in the preparation of the financial statements for the year 2022.	The action should be taken to correct the accounts by reconciling the differences in the respective balances.

1.7 Non - compliances

1.7.1 Non - compliances with laws, rules, and regulations and Management Decisions etc.

Non compliances with laws, rules, regulations, and Management Decisions are as follows

Reference to laws, rules regulations etc	Non - compliance	Comment of the Sabha	Recommendation
Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	The actions had not been taken in accordance with the Financial Regulation in respect of 69 refundable deposit balances valued at Rs.1,617,385 exceeding 02 years.	The actions will be taken checked and taken into revenue.	The action should be taken in accordance with the Financial Regulation

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December amounted to Rs. 315,020 as compared with excess of revenue over recurrent expenditure amounted to Rs. 2,384,803 in the preceding year.

2.2 Performance of the revenue collection

(a) Assessment

Audit Observation	Comment of the Sabha	Recommendation
The number of assessment units was 1538 in the year under review and as at the end of the year there was an outstanding balance of Rs.1,668,129 from 877 assessment units.	The action will be taken to recover the arrears in the future.	Arrears of income should be collected promptly.

(b) Shop Rent

Audit Observation	Comment of the Sabha	Recommendation
23 shop rooms had been leased in the year under review, and as at the end of the year, there was an outstanding balance of Rs.276,303 from 11 shop rooms.	The arrears of Rs.67,925 has been recovered from the outstanding balance and the necessary documents have been sent to collect the remaining outstanding amount.	Arrears should be collected promptly.

(c) Leasing of council property

Audit Observation	Comment of the Sabha	Recommendation
08 properties owned by the council were leased as at the end of the year under review, and there was arrears of rent income of Rs.133,304 from 06 leased fishing sheds.	The necessary action is being taken to recover the arrears.	Arrears should be collected promptly.

3. Operating Review

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 Council under Section 3 of the Pradeshiya Sabha Act are shown below.

3.1 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) In the re-subdivision of the 40 perches piece of land called Pallegodahena on the Akuressa Kamburupitiya road, which is 12 acres 03 perches within the jurisdiction of the council, according to Gazette Notification No. 935/6 and 1996, 10% of the land should be given for public purposes, however the land had not been acquired properly by the Sabha and actions had not been taken to take over the portion properly and use it for the related public works even in the year under review.	It was informed through reminder letters to give the 10% portion and legal action will be taken against the owner if it is not acted upon.	Proceed as per gazette notification.
(b) As per the Development Permit for Building Application No. BA/AT/12/2020 dated 19 October 2020 was issued on 19 October 2020 however the approved plans a two storied	The owner of this building application has been informed to pay and approve the service charges related to	The action should be taken to regularize or remove

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| <p>building was to be constructed using concrete floor, however as per the field audit inspection conducted on 13 December of the year under review. The building was constructed with 03 floors not in accordance with the approved plan and the space required for parking was not allocated.</p> | <p>the construction.</p> | <p>unauthorized constructions carried out without proper development permits.</p> |
| <p>(c) 03 buildings related to the building applications that were rejected for approval due to various reasons were completed or under construction and 02 buildings were constructed without obtaining development permits. Among the planning and development orders/regulations of the Urban Development Authority regarding this construction, according to Schedule 02 of Gazette Notice No. 2235/54 dated 08 July 2021, charges of Rs. 509,914 had not been charged and formalized or removed.</p> | <p>Informed to regularize the unauthorized constructions, and if regularization is not done, legal action will be taken to remove the unauthorized constructions.</p> | <p>Proceed as per gazette notification.</p> |