

## **Kamburupitiya 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 Kamburupitiya Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising the Statement of financial position as at 31 Decemner 2021 Statement of Financial Operations, statement of Chanfing 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 accompanying financial statements give a true and fair view of the financial position of the Kamburupitiya 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**

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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**

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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 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 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 Requirement

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

- 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.
- 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

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### 1.6.1 Accounting Deficiencies

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Audit observation	Comments of the Sabha	Recommendations
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(a) 116 plots of lands of 37.8 acres owned by the council at the end of the year under review, had not been assessed and accounted.	Action will be taken to correct.	Should be accounted correctly.
(b) 02 machines which were purchased at a cost of Rs.1,463,200 in the year 2013,had not been accounted under fixed assets.		

- (c) The stamp fees amounting to Rs.26,135,429 and court fines amounting to Rs.179,693 related to the year 2019 and earlier years had not been accounted as receivables.
- (d) The interest received from 03 fixed deposits amounting to Rs.536,608 was shown under current liabilities without being credited to the income and expenditure account.
- (e) The receivables and payables amounting to Rs.5,314,453 for 135 projects at the end of the year under review had been over stated in the accounts.
- (f) The total amount of employee loan amounting to Rs.1,574,201 due from 08 employees who had transferred to the council had not been accounted.

The action will be taken to correct by journal entries. Should be accounted correctly.

**1.6.2 Non reconciled control accounts or records**

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<b>Audit observation</b>	<b>Comments of the Sabha</b>	<b>Recommendations</b>
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There was a difference of Rs. 22,538,354 in between the balance shown in the financial statements and the balance shown in the schedules/utility documents related to 05 accounting items.	The action will be taken to correct by journal entries	The differences in the respective balances should be reconcile and corrected the accounts.

**1.6.3 Suspense Accounts**

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<b>Audit observation</b>	<b>Comments of the Sabha</b>	<b>Recommendations</b>
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By the end of the year under review, the council had not settled the credit balance of the suspense account of Rs. 1,168,845 which had been carried forward since the year 2006.	The actions are being taken to settled.	Should be investigated the matter and necessary adjustments should be made and the outstanding suspense account should be settled.

## 2. Financial Review

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### 2.1 Financial Result

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December amounted to Rs. . 21,406,094 as compared with excess of revenue over recurrent expenditure amounted to Rs. . 31,663,085 in the preceding year.

### 2.2 Performance of Revenue Collection

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#### (a) Assessment

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##### Audit observation

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The number of assessment units at the end of the year under review was 1523, out of which there was an outstanding balance of Rs.1,399,955 from 931 assessment units.

##### Comments of the Sabha

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Actions will be taken to recover the arrears.

##### Recommendations

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The Arrears of income should be recovered promptly.

#### (b) Shop Rent

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##### Audit observation

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226 shops owned by the council at the end of the year under review, were leased and arrears of Rs.1,281,625 were due from 45 lessees.

##### Comments of the Sabha

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Action will be taken to recover the arrears.

##### Recommendations

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The Arrears of income should be recovered promptly.

## 3. Operating Review

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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 Uneconomic Transactions

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##### Audit observation

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According the Section 10:1 of the Chapter VII of the Establishment Code, 08 hours of service should be completed on each day of public holidays. However, the Secretary of the Sabha had paid Rs.130,427 as allowances for 55 days in the year under review for working on weekends and public holidays without covering 08 hours of service.

##### Comments of the Sabha

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This mistake will be corrected in future

##### Recommendations

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Should be act in accordance with the Establishment Code

### 3.2 Transaction in contentious nature

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#### Audit observation

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Plan No. SD/2020/170 of land No. 2016/26 including Lot No. 5 and 6 of Plan No. 164/2013 had been approved for subdivision by using the signature, seal of the chairman of Kamburupitiya Pradeshiya Sabha and seal of the Planning Committee forgery. The council had not taken any action regarding the construction of a building measuring 6.65 meters in length, 5.9 meters in width and 3.6 meters in height by the land owner.

#### Comments of the Sabha

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The Chairman of Kamburupitiya Pradeshiya Sabha has informed to the relevant member of the Pradeshiya Sabha to submit an urgent report to confirm the approval of the plan under Plan No. 2016/26.

#### Recommendations

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Development permits should be issued in a systematic manner.