

## **Siyambalanduwa 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 SiyambalanduwaPradeshiyaSabha 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 SiyambalanduwaPradeshiyaSabha as at 31<sup>st</sup>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 PradeshiyaSabha 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 it has 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 PradeshियाSabha 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

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### 1.6.1 Accounting Deficiencies

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Audit Observation	Comments of the Sabha	Recommendation
(a) The land where the Kotiagala Library is situated had been provisionally assessed at Rs.2,000,000but it was included in the financial statements as Rs.200,000, hence, the accounts of land and buildings and income contribution to capital application were understated by Rs.1,800,000.	It has been informed that the officer in charge of the subject has been instructed to make corrections when preparing the financial statements in the year 2022.	Assesed values should be correctly identified and accounted for.
(b) Due to the understatement of the opening balance of weekly fair charges receivable by Rs.418,831, the outstanding weekly fair charges and accumulated fund were understated by that amount.	It has been informed that the officer in charge of the subject has been instructed to make corrections when preparing the financial statements in the year 2022.	Arrears income should be properly identified and accounted for.
(c) Since, stamp duty revenue of Rs.656,981 to be received in the last quarter of the year under review had not been accounted for, the operating surplus and receivables were understated by that amount.		Stamp duty receivable should be correctly identified and accounted for.

(d) The value of 2,114 unpriced books of 04 libraries belonging to the Pradeshiya Sabha had not been identified and accounted for under fixed assets.	The value of library books should be recognized and accounted for.
(e) Rs.138,693 worth of consumer goods belonging to 56 categories had been accounted for as office equipment, hence the accounts of Property, plant and equipment and income contribution to capital application were overstated by that amount.	Assets must be properly classified and accounted for.
(f) Since, employee loan in the statement of financial position as on 31 <sup>st</sup> December of the year under review, had been understated by Rs.478,931 current assets was understated by that amount.	Employee loan receivables should be properly identified and accounted for.

It has been informed that the officer in charge of the subject has been instructed to make corrections when preparing the financial statements in the year 2022.

## 1.6.2 Unreconciled Control Accounts or Records

----- <b>Audit Observation</b> -----	----- <b>Comments of the Sabha</b> -----	----- <b>Recommendation</b> -----
A difference of Rs.53,881 in Stamp duty payable and Rs.409,829 in Weekly fair charges in arrears was observed. On comparison of the financial statements with the corresponding reports.	It has been informed that they have been advised to correct the changes and maintain the documents correctly and to correct those changes in the financial statements of the year 2022.	Documents and schedules should be properly updated and the reasons for non-reconciliations should be corrected.

## 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.5,811,711 as compared with the excess of revenue over recurrent expenditure amounted to Rs.7,386,255 in the preceding year.

## 2.2 Revenue Administration

### 2.2.1 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
Rs.3,294,096 arrears of tax revenue related to the year under review and Rs.2,610,552 for the last year on behalf of the lease of 04 properties owned by the council as of December 31 <sup>st</sup> of the reviewed year had not been recovered ..	It has also been informed that Sabha decisions have been taken and sent for the approval of the minister in charge to write off the arrears from the books for the periods in which weekly fairs were not held due to the corona epidemic situation.	Arrears of tax revenue should be recovered.

## 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.

### Assets Management

Audit Observation	Comments of the Sabha	Recommendation
In the period of 2015-2021, the cost of 679 books including 672 library books valued at Rs.170,411 and 07 books those value was not mentioned, in the 04 libraries belonging to the Sabha were not collected or no money was recovered for them.	It has been informed that Rs.10,975 has been collected for 17 books that were not received and actions are being taken to get the rest of the books.	Actions should be taken to get back the books issued to the readers.