

## **Sooriyawewa Pradeshiya Sabha - 2021**

---

### **1. Financial Statements**

---

#### **1.1 Qualified Opinion**

---

The audit of the financial statements of the Sooriyawewa Pradeshiya Sabha for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2021 and the income and expenditure account, and notes to the financial statements, including a summary of significant accounting policies, 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 Sooriyawewa 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 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 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 per the requirement of 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 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

-----

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
-----	-----	-----
(a) The amount that should be capitalized regarding 06 projects completed during the year under review had been understated by Rs.13,670,989.	Corrections would be done when preparing the financial statements in the year ahead.	The Capital Expenditure should be stated accurately.
(b) The Deposits kept outside the Sabha on the name of the employees of the Sabha as their security deposits of Rs.1,331,547 had been stated as a liability and investment of the Sabha even though it had been a assets of each employee, therefore the liabilities and the investments had been overstated by that amount.	Actions would be taken to correct in the financial statements in the year ahead and to prevent these type of mistakes in the future.	The current liabilities and assets should be stated accurately.
(c) A Court Fines balance of Rs.895,622 regarding the preceding year had been stated by the Sabha as a receivable balance as at 31 December of the year under review even though the Department of Provincial Revenue had informed that it would not be received as an income for the Sabha, therefore the current assets had been overstated by that amount.	Corrections would be done when preparing the financial statements in the year ahead.	The current assets should be stated accurately.

- |     |   |  |  |
|-----|---|--|--|
| (d) | An income received by a sale of a Cab owned by the Sabha of Rs.835,000 had been stated as a capital grant received except for stating it as Sales of Capital Assets.  | Actions would be taken to correct in the financial statements in the year ahead and to prevent these type of mistakes in the future. | The revenue should be stated accurately.                   |
| (e) | The Loan instalment of Rs.2,200,309 and interest paid of Rs.15,385 on the Local Development Fund for the year under review had been stated as investment activities except for financial activities.  | Actions would be taken to make this correct this by the cash flow statement of the year ahead.                                       | The Cash flow statement should be prepared accurately.     |
| (f) | The interest received of Rs.572,912 for the fixed deposits and the savings accounts of the Sabha for the year under review had been stated as Rs.499,133 under investment activities therefore it had been understated by Rs.73,779.                                | Actions would be taken to make this correct this by the cash flow statement of the year ahead.                                       | The Cash flow statement should be prepared accurately.     |
| (g) | The Capital Grants receivable had been stated as Rs.2,736,400 even though the Capital Grants receivable had been Rs.3,161,592 for the task of removing the old equipment out of Chamal Rajapaksha Children's park, therefore it had been understated by Rs.425,192. | Actions would be taken to make this correct this by the cash flow statement of the year ahead.                                       | The Capital Grants receivable should be accurately stated. |
| (h) | An amount of Rs.275,735 spent on the maintenance of fence of 05 cemeteries had been capitalized.  | Actions would be taken to make this correct this by the cash flow statement of the year ahead.                                       | The recurrent expenditure should be accurately stated.     |
| (i) | Provisions for the creditors on 03 Projects during the year under review had been overstated by Rs.233,519.   | Actions would be taken to make this correct this by the cash flow statement of the year ahead.                                       | Provisions for the creditors should be accurately made.    |

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha amounted to Rs.17,815,568 for the year ended on 31 December of the year under review as compared with the corresponding the revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.21,130,642.

### 2.2 Revenue Administration

#### 2.2.1 Performance in Collection of Revenue

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
<b>(a) Rent</b>		
i. Action had not been taken to recover the rent from 60 stalls of Rs.941,485 during the year under review.	A request had been made from the governor to write off an amount of Rs.379,990 by the arrears rent and actions would be taken to recover the rest of the amount.	The Arrears income should be recovered as soon as possible.
ii. Action had not been taken to recover the amount receivable of Rs.5,087,902 from 11 leased out property for the year under review and an amount of Rs.23,415 had been incurred in the above balance regarding the year 2018 receivable from the vehicle park at Sooriyawewa Weekly Fair.	A request had been made from the governor to write off an amount of Rs.3,366,428 and the conciliation board had been informed to recover the balance amount of Rs.23,415 and actions would be taken to recover the rest of the amount by the securities of the lessees.	The Arrears income should be recovered as soon as possible.
iii. Action had not been taken by the Sabha to recover an amount of rent Rs.485,000 for renting out the machinery and equipment to the outsiders for the years 2020 and 2021 as at the end of the year under review.	The letters had been sent to inform to pay the arrears as soon as possible.	The Arrears income should be recovered as soon as possible.
<b>(b) License Fees</b>		
Actions had not been taken to recover an amount of Rs.1,352,675 receivable from 53 Hoarding Boards for the year under review.	The Conciliation Board had been informed to recover an amount of Rs.8,375 and actions would be taken to recover the rest of the amount.	The Arrears income should be recovered as soon as possible.

### 3. Operating Review

-----

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act, being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

#### 3.1 Management Inefficiencies

-----

Audit Observation	Comment of the Sabha	Recommendation
Actions had not been taken on unauthorized constructions from the years 2015, 2018, 2019 and 2020 respectively 02, 06, 01 and 13 totally 22 units according to the Section 52 of the Pradeshiya Sabha Act.	Actions would be taken to prevent unauthorized constructions and to make public aware in the future.	Actions should be taken according to the Act.