

## **Anamaduwa 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 Anamaduwa 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 Anamaduwa 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**

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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**

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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 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)**

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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 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

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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

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### 1.6.1 Accounting Deficiencies

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Audit Observation	Comment of the Sabha	Recommendation
<ul style="list-style-type: none"> <li>(a) Retention money of Rs. 145,510 of Surakkulam stadium development project had not been brought to account under creditors.</li> <li>(b) Completed work value of the project for the construction of warehouse complex at Anamaduwa Gurupokuna Compost Yard of Rs.259,421 , the amount payable to the contractor of Rs. 794,867, and the industrial debtor value of Rs.794,867 had been overstated in the accounts.</li> </ul>	<p>This will be corrected by journal entries in the preparation of final accounts for the year 2022.</p>	<p>Action should be taken to make corrections by the journal entries.</p>
<ul style="list-style-type: none"> <li>(d) The retention money of Rs.125,767 payable to the contractor for the construction of the front fence of Pallama Library building had been credited to two accounts as creditors and deposits.</li> <li>(e) The land of 02 rood 36.76 perches worth Rs.100,000 owned by the Pradeshiya Sabha for public purposes during the development of Adammanawatta land in the year 2019 had not been accounte brought to account under fixed assets.</li> </ul>	<p>This will be corrected by journal entries in the preparation of final accounts for the year 2022.</p>	<p>Action should be taken to make corrections by the journal entries.</p>

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 2,930,529 as at 31 December 2021 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 1,441,473.

### 2.2 Revenue Administration

#### 2.2.1 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
<p>(a) <b>Rates</b></p> <p>Out of the outstanding balance of Rs.12,918,491 as at 31 December of the year under review, a sum of Rs.559,396 for 36 tax units of the public sector and Rs.11,388,044 for 1875 tax units of the private sector remained recoverable as at 31 August 2022. Due to the reasons such as the urban facilities were at a minimal level and it was not possible to verify the current owners due to not preparing a specific deed, Rs.3,260,792 from 582 private sector tax units had been identified as irrecoverable. The remaining outstanding balance contained Rs.559,396 for 36 public sector tax units and Rs.8,127,251 for 1293 private sector tax units.</p>	<p>It is informed that action will be taken to recover the outstanding Rates in due course.</p>	<p>Action should be taken to recover the billed Rates, acreage tax and rents annually within the relevant year itself.</p>
<p>(b) <b>Acreage Tax</b></p> <p>Due to the inability to ascertain specific information about the persons and places indicated in the acreage tax records, a sum of Rs.431,855 due from 264 tax units as at 31 December of the year under review could not be recovered.</p>	<p>It is informed that a formal inspection will be conducted regarding the acreage tax by deploying the Revenue Inspectors and accordingly, the acreage tax will be recovered.</p>	