

Embilipitiya Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Embilipitiya 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 cash flow, significant accounting policies and the summary of 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 the sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and 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 Embilipitiya 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 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 Responsibility for the Audit of 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 financial reporting process of the Pradeshiya Sabha.

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 its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

1.4 Audit Scope (Auditor's Responsibility 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 exercise 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 the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

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 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) As per requirement mentioned in Section 6(1) (d) (iii) of the National Audit Act No. 19 of 2018, the financial statements of the Pradeshiya Sabha are corresponded with financial statements of the previous year.
- (b) The recommendations made by me during the previous year except the paragraph 1.6.1 (c) of this report are included in the financial statements as requirement 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

1.6.1 Accounting Deficiencies

Audit Observation -----	Comments of the Council -----	Recommendation -----
(a) The total of implemented development projects expenditure of Rs. 3,441,303 in the year under review was not capitalized.	The cost of development projects will be capitalized under the new accounting system.	The cost of development projects should be capitalized.
(b) Out of the purchased street lighting maintenance equipment worth Rs. 2,367,050, the equipment as fixed worth Rs. 1,215,800 were not accounted as consumable goods.	That will be corrected.	The cost of purchases during the year should be capitalized.
(c) Although the accounting deficiency indicated 1.2 (g) of the audit of last year should be removed from the various deposits account under journal No. 25 in the year under review and credited to the accumulated fund, received Rs. 103,500 had been credited to the insurance compensation ledger account.	Accounted as current liabilities because they have to make payments on behalf of external parties.	Should be identified the correct accounting method and kept the accounting records.

1.6.1 Unreconciled Control Accounts or Reports

Audit Observation -----	Comments of the Council -----	Recommendation -----
There was a difference of Rs. 160,129 due to the balance of Employees Guarantee Deposit Account was Rs. 1,384,783 and the balance of Employees Guarantee Deposit Investment Account was Rs. 1,224,654.	That will be corrected.	Correct values should be identified and accounted.

2. Financial Review

2.1 Financial Result

According to the submitted financial statements, the income exceeding the recurrent expenditure of the council for the year ended 31 December 2021 was Rs. 10,845,925 and the correspondence income exceeding the recurrent expenditure of the previous year was Rs. 25,153,522.

2.2 Revenue Administration

2.2.2 Performance of the Revenue Collection

The following observations are made regarding the performance of the revenue collection in the council.

	Audit Observation -----	Comments of the Council -----	Recommendation -----
(a)	Assessment and Taxes ----- The outstanding of Rs. 7,523,205 regarding the 7899 assessment units as outstanding of Rs. 844,823 in 35 institutions and Rs. 5,509,873 in 7864 private units had failed to recover and the total of Rs. 2,119,081 to be collected from 624 units coming from more than 03 years were entered.	No property prohibitions were made to recover outstanding balances due to the epidemic situation in the years 2020 and 2021 and that work will be done.	Arrangements should be made to collect the revenue to be charged to the council without delay.
(b)	Other Revenue ----- Action had not been taken to recover the outstanding water charges of Rs. 725,780 from 236 customers as at the last date of the year under review in relation to the 03 water projects.	Out of the outstanding water charges, Rs. 102,820 has been recovered.	Arrangements should be made to collect the revenue to be charged to the council without delay.

3. Accountability and Good Governance

Environmental Issues

Audit Observation -----	Comments of the Council -----	Recommendation -----
A cost of Rs. 7,396,855, 09 staff members and 04 vehicles were attached for disposal of about 889 Metric Tons of solid waste in the council area during the year under review. It was observed that there was a risk of creating environmental issues by disposing of the collected garbage in the open environment of the Athhodagala land in the council area without a formal and environmental friendly method and about 160 public complaints had been received in this regard by 31 October 2022.	That work is being done to acquire the necessary land for the regularization of garbage disposal.	Garbage should be disposed without harming the environment.