

## Pachchilaipalli 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 Pachchilaipalli Pradeshiya Sabha including the Financial statements for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2020, Income and Expenditure Account, 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 SubSection 172 (1) of the Pradeshiya Sabha 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 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 Pachchilaipalli 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 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 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 Requirements

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

- (a) 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.
- (b) In accordance with the requirement referred to in Section 6 (i) (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 -----	Comment of the Council -----	Recommendation -----
(a) The value of 111 books received as donations, televisions and computers, 20 cemeteries and 195 wells had not been assessed and accounted.	The Steps have been taken to include in the final accounts of the year 2022.	The asset should be assessed and accounted.
(b) The land on which 91 buildings were situated of the total value of Rs. 108,306,135 did not own by the council and those buildings were shown under current assets in the financial statements.	The arrangements have been made to take over the land.	- do -
(c) 13 unfulfilled tasks were considered as completed during the year under review and due to adjustment to the various creditors account, expenses and current liabilities had been overstated by Rs.10,105,537 in the financial statements.	The accounts have been prepared under accrual basis and the various creditors have been credited to the accounts by signing the agreements as it was necessary to perform the tasks.	The existence of rights related to assets and liabilities should be disclosed in the financial statements.

1.7 Non compliances  
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1.7.1 Non compliances with laws rules and regulations  
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Reference to laws rules regulations. -----	Non compliance -----	Comment of the Council -----	Recommendation -----
The Section 134 of the Pradeshiya Sabha Act No. 15 of 1987.	The action had not been taken to collect assessment tax according to the Act during the year under review.	In the first stage, the lists for property valuation in Palai town had been prepared and handed over to the valuation department; however the valuation reports have not been given so far. Also, lists are being prepared for the assessment of 03 other domains.	The action should be taken to collect taxes as per the Pradeshiya Sabha Act.

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 2021 amounted to Rs. 20,160,216 as compared with excess of revenue over recurrent expenditure amounted to Rs. 27,723,815 in the preceding year.

2.2 Revenue administration  
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2.2.1 performance of Revenue collection  
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<b>Audit Observation</b> -----	<b>Comment of the Council</b> -----	<b>Recommendation</b> -----
(a) Contrary to the Rules issued by the Northern Provincial Council on 02 February 2016, according to 21 (i) of the Interim Rules of the Regional Council III, the cremation of the bodies in the cemeteries located in the area of	Due to being an area inhabited by people with a lower standard of living and lack of adequate facilities in cemeteries, crematorium fees were not charged. Crematorium charges will be	The action should be taken to collect income.

the council had been done with proper approval and free of charge.

charged after making adequate arrangements

(b) The arrears of rent and taxes between 02 and 04 years old amounting to Rs.128,883 had not been collected up to now.

Further action is being taken regarding outstanding charges.

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### 3. Operational 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.

Audit Observation

Comment of the Council

Recommendation

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Without carrying out the development work in the council area, council funds of Rs.44,382,308 were invested in fixed deposits for the purpose of earning interest.

As the revenue generation is very low, it seems that the expenses of the council can be covered by interest on fixed deposits. However, Rs 5 million is to be withdrawn from fixed deposits for the renovation of the Palai market.

Priority should be given to carry out development work in the area.