

## Vavuniya North 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 Vavuniya North Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2021, 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 reported to parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the Financial position of the Vavuniya North Pradeshiya Sabha as at 31 December 2020, and of its Financial performance 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 Policies

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#### Audit Observation

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Although it was stated that the financial statements are prepared in accordance with the Public Sector Accounting Standards of Sri Lanka, the financial statements had been prepared in accordance with generally accepted accounting practices.

#### Comment of the Council

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The steps will be taken to prepare and submit financial statements in accordance with Sri Lanka Public Sector Accounting Standards in the future.

#### Recommendation

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Financial statements should be prepared in accordance with Generally Accepted Accounting Principles until the Sri Lanka Public Sector Accounting Standards for Local Governments come into effect.

## 1.6.2 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a) The value of 466 roads and paths owned by the council had been understated by Rs. 359,672,618 in the financial statements	The Arrangements will be made to indicate the correct values of roads and paths in future financial statements.	Financial statements should be prepared in accordance with accounting principles and policies.
(b) The fixed assets that had not been acquired the rights valued at Rs.370,000 were shown in the financial statements.	The Arrangements will be made to acquire those assets to the name of the council as soon as possible	- do -
(c) The Assets of Rs.290,090,560 owned by the council as at 31 December of the year under review had not been disclosed in the financial statements.	The Financial statements and documents are being checked. Actions have been taken to rectify these deficiencies promptly.	- do -

## 2. Financial review

### 2.1 Financial Review

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. 22,615,505 as compared with excess of revenue over recurrent expenditure amounted to Rs. 9,541,339 in the preceding year.

## 2.2 Revenue administration

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### 2.2.1 performance of Revenue collection

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The following observation are made regarding the **performance of Revenue** collection of the Sabha

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
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The action had not been taken to recover the amount of Rs.1,708,095, which was more than 02 years old, from the arrears of waste tax, shop rent and land rent.	The actions are being taken on outstanding balances.	The arrears of revenue collection should be managed well.

## 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.

### 3.1 Operational inefficiencies

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<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
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(a) Due to non-lease of Puliyankulam fish market and Bogaswewa weekly fair, the council had lost a rental income of Rs.63,000 for the year under review.	The bids were called three times, however no any bids received.	The assest should be use efficencely.
(b) The Nedunkarni bus stand and shop which were built in 2011 at a cost of Rs.26,137,591 had not been used for more than 10 years.	They were closed due to lack of sale. Only a few are engaged in business activities. The reason for this was the location of the shop in an inappropriate place.	The assets should be use efficencely.

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| (c) | The loan of Rs. 94,384 given to 02 officers of the council had not been recovered for more than 10 years. | The answer relevant to the observation has not been submitted. | Arrears should be collected promptly.      |
| (d) | The deposits amounting to Rs.225,000 had not been collected from 07 officials who had to pay deposits.    | The actions has been taken to collect the deposits.            | The deposits should be collected promptly. |

### 3.2 Uneconomic Transactions

----- Audit Observation -----	Comment of the Council -----	Recommendation -----
The Vavuniya North Pradeshiya Sabha had paid Rs.1,706,401 which was Rs.1,706,401 for 32 months salary of an officer temporarily performing duties of Valikamam North Pradeshiya Sabha.	It has been decided to take appropriate action in this regard.	The money paid as salary should be recovered from Valikamam North Pradeshiya Sabha.