

Harispaththuwa Pradeshiya Sabha – 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Harispaththuwa Pradeshiya Sabha including the financial statements for the year ended 31st December 2021 comprising the Balance sheet as at 31st December 2021, Statement of Financial Operations 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 Sub-Section 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 financial statements give a true and fair view of the financial position of the Harispaththuwa Pradeshiya Sabha as at 31st 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

I expressed qualified opinion 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 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)

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

National Audit Act, No.19 of 2018 includes specific provisions for following requirements.

- (a) The financial statements of the Pradeshia Sabha presented is consistent with the preceding year as per the requirement of Section 6(1)(d)(iii) of the National Audit Act, No.19 of 2018.
- (b) The financial statements presented includes all the recommendations made by me in the previous year 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

Audit Observation	Comments of the Sabha	Recommendation
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(a) The interest of Rs.580,323 related to the previous year on 02 fixed deposits had been shown as income for the year under review in the financial statements.	That no adjustment has been made to the previous year's income	The income relevant to the year should be correctly accounted for
(b) The loan installment of Rs.1,433,032 to be paid to the Local Credit and Development Fund in the coming year was shown under long-term liabilities.	The correction will be made in the accounting year 2022	Loan instalments to be paid in the next year should be shown under current liabilities
(c) In the correction of the mistakes pointed out under last year's accounting deficiencies in the year under review, the value of land and buildings by Rs.2,725,000 , the revaluation amount by Rs.10,256,826 and the Project creditor value by Rs.54,268 had been overstated in the financial statements.	It had been informed that correct value had been adjusted through journal entries.	Accounting deficiencies pointed out in the audit of annual financial statements should be correctly adjusted in the accounts.
(d) The value of 93 units of land and buildings had been shown in the financial statements as Rs.257,500 without formally assessing to the accurate value.	That, a Provisional valuation is made.	Assets should be accurately assessed based on current market values.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
At the end of the reviewed year, 03 asset subjects of Rs.1,017,017 and 02 liability subjects of Rs.45,640,792 which were shown in the balance sheet could not be satisfactorily verified in the audit due to the non-submission of documents, survey reports and individual balance lists.	A register has been opened for donations received, and registers have been prepared for other balances.	Evidence must be prepared to confirm the balances in the financial statements.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure the Sabha for the year ended 31st December 2021 amounted to Rs.41,689,826 as compared with the excess of revenue over recurrent expenditure amounted to Rs.47,002,705 in the preceding year.

2.2 Revenue Administration

Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Council are given below.

Audit Observation	Comments of the Sabha	Recommendation
(a) Rates As on December 31 st of the year under review, the arrears of assessment tax revenue due was Rs.12,800,300 and in that balance, Rs.2,205,178 due from 282 assessment units of which the arrears per unit was more than Rs.5,000 for more than 05 years, and Rs.609,065 due from 450 units where the balance is recorded as "Owner" without the name of the customer being mentioned in the assessment register, Rs.85,641 due from 53 government agencies were included.	Conduct of mobile services, collection of assessment fees from house to house and issuance of red notices are being done	Assessment tax in arrears should be recovered.

(b) Outstanding tube well revenue

 The tube well revenue of Rs.3,920,055, which had been billed for more than 05 years, had not been collected as on December 31 of the year under review.

That tube well billing has been stopped at present, the General Assembly has approved the write-off of the ongoing arrears

Arrears of tube well income should be recovered.

(c) Three wheeler license fees

 At the end of the year under review, three-wheeler license fees of Rs.1,608,850 due from 27 three-wheeler associations had not been collected, and In that balance, Rs.1,332,450 due from 15 associations of which the arrears of total license fee from one three-wheeler association exceeded Rs.50,000 was included.

Actions are being taken to collect.

Arrears three wheeler license fees should be collected

3. **Operational Review**

 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 **Idle or underutilized Property, Plant and Equipment**

Audit Observation

 04 vehicles worth Rs.2,938,260 belonging to the council were taken out of use from the years 2016 and 2017 for disposal, but were not disposed of at the end of the reviewed year.

Comments of the Sabha

 That these vehicles are in in the state of dispose and the valuation reports have been called and necessary steps are being taken to auction at present.

Recommendation

 The concerned vehicles should be disposed