

Panwila Pradeshiya Sabha – 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Panwila Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising the Statement of Financial Position as at 31 December 2021, Statement of Financial Operations for the year, Cash Flow Statement, 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 reported 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 Panwila 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

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 Pradeshiya 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
The value of 06 lawn mowers of Rs.118,200 purchased in the year under review had been understated by Rs.50,700 since it was shown as Rs.67,500 in the financial statements.	It has been informed that corrections will be made during the preparation of the financial statements in 2022	Necessary adjustments should be made to correct the financial statements.

1.6.2 **Unreconciled Control Accounts or Records**

Audit Observation	Comments of the Sabha	Recommendation
(a) The value of 08 Project creditors balance was Rs.8,162,675 according to the financial statements and Rs.14,359,702 according to the Project creditor register, so there was a difference of Rs.6,197,027 between those balances.	It has been informed that corrections will be made during the preparation of the financial statements in 2022	Necessary adjustments should be made to correct the financial statements.
(b) According to the financial statements as on December 31 of the year under review, the sum of the 04 accounts receivable balance was Rs.33,731,526 and according to the age analysis report presented, the balance was Rs.29,585,357 So, there was a difference of Rs.4,146,169.	it has been informed that there has been a difference, as the arrears of Court fines, environmental licence fees, various debtors' petition, committee fees, butchers rent have not been included.	Income documents should be updated correctly and the schedules submitted with the financial statements should be compared with the source documents and presented correctly and action should be taken to recover outstanding balances.

1.6.3 **Documentary Evidences not made available for Audit**

Audit Observation	Comments of the Sabha	Recommendation
Due to non-submission of the Governor's approval for writing off, schedules and age analysis in relating to 02 revenue subjects of Rs.10,804,621, they could not be satisfactorily verified during the audit.	It has been informed that the schedule for water, court fines, environmental permits, various debtors, shops, butchers rent has been submitted.	Documents, schedules, age analysis and other necessary information should be submitted in relation to the balances mentioned in the financial statements.

2. **Financial Review**

2.1 **Financial Result**

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. 1,716,823 as compared with the excess of revenue over recurrent amounted to Rs. 6,491,664 in the preceding year.

2.2 **Financial control**

Audit Observation

An amount in the range of Rs.9,759,665 to Rs.17,070,548 per month remained idle in the current account maintained in a public bank throughout the year under review without making any arrangements to use the money owned by the Sabha to fulfil the objectives of the Sabha or to invest the surplus amount in accordance with Section 131 of the Local Sabha Act No. 15 of 1987

Comments of the Sabha

It has been informed that if there is a surplus of money, supplementary estimates will be made to provide services to the public or be invested in securities.

Recommendation

Sabha funds should be utilized or surplus money should be invested to generate income as per the provisions of the Act.

2.3 **Revenue Administration**

2.3.1 **Performance in Revenue Collection**

Audit Observation

(a) Rates and Taxes

The outstanding balance as of December 31 was Rs.2,294,063 since Rs.1,177,363 out of the outstanding assessment and tax balance of Rs.1,631,409 at the beginning of the year under review, and Rs.1,116,699 out of the billings of Rs.2,756,454 had not been collected during the year. As per Section 158 of the Pradeshiya Sabha Act arrears of balances had not been recovered.

Comments of the Sabha

It has been informed that programs such as mobile services will be held in the future and arrangement will be made to cover the related arrears somehow.

Recommendation

As per the provisions of the Act, arrangements should be made to recover the arrears of assessment tax.

(b) **Shop rent**

After the assessment dated 23 August 2016 was implemented in January 2019 in relation to 30 stalls located in Panwila Public Market Complex, there was an arrears of Rs.3,582,600 due to the fact that

It has been informed that all arrears have been legally recovered through the courts.

As per the new assessment, new agreements should be entered into and the

none of the shop owners had paid any shop rent till December 31 of the reviewed year and There were arrears exceeding Rs.118,800 in relation to each stall. But no action was taken to collect these arrears.

assessment should be implemented and in relating to arrears agreements should be followed.

(c) **Other income**

At the beginning of the year under review, the outstanding Three wheeler parking fee balance was Rs.421,675 and the billings for the year were Rs.240,500 and In the year under review, while the arrears and charges from billing were only Rs.132,800, the arrears as on December 31 of the year under review was Rs.529,375.

It has been informed that the arrears will be collected in the future.

According to the by-laws, three-wheeler parking should be regularized and annual fees charged.

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 Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

3.1 **Assets Management**

Audit Observation

Comments of the Sabha

Recommendation

(a) As of December 31 of the year under review, no income had been generated from Knuckles Babarella tourist resort owned by the Sabha, which had been built at a cost of Rs.4,404,748 in the year 2017.

Although the maintenance work was carried out at the beginning of 2020, it has been informed that due to the epidemic situation in the country by the month of March and the lack of sufficient employees there is no place to provide facilities for tourists.

Necessary activities should be done to generate income.

- | | | | |
|-----|---|--|---|
| (b) | In the year under review, an expenditure of Rs. 1,302,814 was incurred to purchase furniture for the Hulu Ganga observation cabin belonging to the Sabha, which was built at a cost of Rs.11,184,177, the said building was not used for any income generating purpose and remained idle as on the date of audit on 15th March 2022. | The ground floor parallel to the main road of the tourist resort building with the observation cabin at Hulu Ganga is valued at Rs.30,000 and the first floor at Rs.6,000. Accordingly, it has been decided to give both the ground floor and the first floor of the above building to the People's Bank on a lease basis and the approval of the General Assembly has also been received. | Necessary activities should be done to generate income. |
| (c) | By renting out the Huluganga Satipola building, which was built at a cost of Rs.1,500,000 in the year 2015 By choosing an unsuitable land to run a Satipola, very little income was earned in the years 2015-2021. And even though the attention of the Sabha was paid to build the shops on that land and use it as a new income generating source, No project had been implemented. | It has been informed that weekly fair will be held on every Sunday of the week to collect the income from traders. | Action should be taken to generate new income. |