

Poojapitiya Pradeshiya Sabha – 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Poojapitiya Pradeshiya Sabha including the financial statements for the year ended 31st December 2021 comprising the balance sheet as at 31st December 2021, Income and Expenditure Account 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 Poojapitiya 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 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
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(a) The total fixed deposit interest income at the end of the year under review was understated by Rs.365,195 and the interest income receivable was overstated by Rs.2,809,386 in the financial statements.	That it will be corrected by journal entries in the year 2022	Interest on fixed deposits should be correctly accounted for.
(b) The value of fixed deposits as on 31st December of the year under review was understated by Rs.3,334,733 in the financial statements.	That it will be corrected by journal entries in the year 2022	Fixed deposit balance should be properly accounted for.
(c) The value of the land of Wewala Kosgolla Gederagawa Kumbura belonging to the Sabha was stated in the financial statements had been overstated by Rs.1,338,512 as the total of Rs.1,584,832 on 02 occasions.	That correct entries are made on the relevant pages of the Fixed Asset Register	Correct values of land should be accounted for.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
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As on December 31 st of the year under review, There was a difference of Rs.566,085 between the balances as per the financial statements in relation to 02 account subjects and the balances in the Schedules.	That, it will be corrected by the final account of 2022	Differences should be identified and the correct value should be adjusted in the accounts

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

Audit Observation	Comments of the Sabha	Recommendation
Due to non-submission of stock registry, survey reports and schedules, 05 asset subjects of Rs.22,139,186 in the balance sheet as of December 31 st of the reviewed year Could not be satisfactorily verified in the audit.	That, correct schedules are prepared and financial statements are corrected upon Council approval	Accurate evidence for account balances should be maintained

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 31st December 2021 amounted to Rs.16,337,527 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 17,490,730 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 amounting to Rs.3,682,088 had not been collected, and in that balance, Rs.911,623 due from 92 consumers whose arrears per unit was more than Rs.5,000, and Rs. 520,086 due from 195 assessment tax consumers whose name was not mentioned and the arrears per unit was more than Rs.1,000 and a balance of Rs.126,178 due from 05 government agencies had been included.	As steps have been taken to reduce the overall arrears of assessment, the arrears have been decreased and the relevant parties have been informed to recover the arrears of the public institutions.	Assessment tax in arrears should be recovered.
(b) Shop rent		
Due to non-collection of the shop rent revised in March 2015 from the stalls of Ambathenna shopping mall belonging to the Sabha, the Sabha had lost an income of Rs.2,100,600 from the year 2016 to the year 2021.	That the assessment of valuation department could not be executed.	Shop rent should be charged on new assessments.

(c) Other income

Billboard charges

No billboard survey was conducted for the year under review and fees of Rs.381,200 due at the end of the year were not collected.

That a billboard survey will be conducted in the year 2022 and collected

Billboard charges 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 03 of the Pradeshiya Sabha Act are shown below.

3.1 **Identified Losses**

Audit Observation

Since a land was purchased for Rs.3,000,000 during the year under review on a private valuation for the construction of a Children park, regardless of the estimate of Rs.225,000 given by the chief Assessor of the government and without a council approval; Rs.2,775,000 had been paid in excess of the government estimate.

Comments of the Sabha

As the land owners did not agree with the valuation of Rs.225,000 given by the Valuation Department, valuations were obtained from private valuers and accordingly, the land was purchased with the approval of the Governor for Rs.3,000,000.

Recommendation

Purchases should be made correctly after proper approvals and other requirements are completed

3.2 **Operational Inefficiencies**

Audit Observation

Auction of land in council area

According to Section 154 of the Pradeshiya Sabha Act No.15 of 1987, from the year 2002 to year 2018, sale of 03 plots of land in the area of authority, the tax amount of 01 percent to be charged was not charged, and the amount of land to be acquired for public purposes had not been obtained.

Comments of the Sabha

That reminder letters, letters asking for information are forwarded

Recommendation

According to the Pradeshiya Sabha act, land plots should be acquired and taxes should be levied

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

Audit Observation

A tractor and a Road roller machine belonging to the sabha worth Rs. 10,622,462, which had been taken out of use for disposal, remained idle since 2015, and a cab and motorcycle worth Rs.3,297,282, which had been taken out of use for repair, remained idle since 2019.

Comments of the Sabha

That The Local Government Commissioner has been informed in writing to take further action regarding the idle vehicles. Arrangements have been made to appoint a Board of Survey.

Recommendation

Vehicles should not remain idle and appropriate actions should be taken

3.4 **Solid waste Management**

Audit Observation

Although Rs.400,000 was paid to the Land Reform Authority in 2013 as fees for surveying and taking over the proposed Enesalmada land for waste management, the land had not been taken over and the waste management activities had not been implemented by the date of the audit.

Comments of the Sabha

That written requests have been made to obtain survey plan and field notes of the relevant land.

Recommendation

The land should be taken over and used for the purposes