

Nochchiyagama Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Nochchiyagama Pradeshiya Sabha for the year ended 31 December 2021 comprising the statement of assets and liabilities as at 31 December 2021 and the statement of comprehensive income, statement of changes in net assets / equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out 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 Sabhas 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 accompanying financial statements give a true and fair view of the financial position of the Nochchiyagama Pradeshiya Sabha as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Governments.

1.2 Basis for Qualified Opinion

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standard for Local Governments, 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 financial reporting process of the Pradeshiya Sabha.

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 to be prepared of the Pradeshiya Sabha.

1.4 Scope of Audit Auditor's Responsibility for the Audit of the 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 exercise 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 the Pradeshiya Sabha's 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 Pradeshiya Sabha;
- Whether the Pradeshiya Sabha 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.

- 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.
- 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 Noncompliance with Sri Lanka Public Sector Accounting Standard for Local Governments

Audit observation	Comments of the Pradeshiya Sabha	Recommendation
Although budgeted information in the budget prepared by an entity in accordance with Sri Lanka Public Sector Accounting Standard for local governments No. 3.7 should be presented in the financial statements for that period, the financial statements of the Pradeshiya Sabha had been presented without budgeted information.	Accepted.	Action should be taken in accordance with Sri Lanka Public Sector Accounting Standards for local governments.

1.6.2 Accounting Deficiencies

Audit observation	Comments of the Pradeshiya Sabha	Recommendation
(a) The interest income related to the year 2021 for 03 fixed deposits of the Pradeshiya Sabha had been understated by Rs.30,506 and the interest income to be received for 02 fixed deposits for the year 2021 had been Rs. 67,173, it had not been indicated in the statement of assets and liabilities.	Calculation of interest for fixed deposits have been done regardless of the date of reactivation.	The value relating to the year should be identified and accounted.

- | | | | |
|-----|--|-----------|---|
| (b) | Although the increase in stocks during the year under review had been Rs.3,346,922 according to the statement of assets and liabilities, it had been indicated as Rs.3,960,122 overstating by an amount of Rs.613,200 in the cash flow statement. | Accepted. | The correct value must be identified and accounted. |
| (c) | Debtors of the Central Government amounting to Rs.5,784,886 and debtors of Provincial Council amounting to Rs.229,120 had been indicated in the cash flow generated from financial activities in the cash flow statement of the year under review. | Accepted. | The correct value must be accounted. |

1.6.3 Unreconciled Control Accounts and Reports

Audit observation	Comments of the Pradeshiya Sabha	Recommendation
Even though the balance had been Rs.74,064,698 according to the financial statements of 03 accounting subjects, the balance was Rs.78,481,205, in the documents / schedules and the statement of changes in net assets / equity and as a result, there had been a difference of Rs.4,416,507.	I will take action to rectify.	Schedules should be prepared correctly.

1.6.4 Unauthorized transactions

Audit observation	Comments of the Pradeshiya Sabha	Recommendation
Revenue amounting to Rs.160,500 receivable for annual leasing of the assets of the Pradeshiya Sabha had been written off as unrecoverable balances in the year under review, and formal approval had not been obtained for this from the Minister in terms of Section 182 of the Pradeshiya Sabhas Act No. 15 of 1987.	Referred to obtain the approval of the Governor.	Formal approval must be obtained before writing off of revenue.

1.7 Non-compliance

1.7.1 Non-Compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions are mentioned below.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Pradeshiya Sabha	Recommendation
Public Administration Circular No. 30/2016 dated 29 December 2016	Fuel consumption of 04 vehicles owned by the Pradeshiya Sabha had not been tested.	Action will be taken to send reports to you after testing the fuel consumption of all the vehicles, for which fuel consumption had not been tested as soon as the current fuel issue in the country is solved.	Action should be taken in compliance with the Circular.

2. Financial review

2.1 Financial Results

According to the financial statements presented, the expenditure over the revenue of the Pradeshiya Sabha for the year ended 31 December 2021 had been Rs. 477,499 and correspondingly, the expenditure over the revenue of the previous year had been Rs.49,361,383.

2.2 Financial Control

Audit observation	Comments of the Pradeshiya Sabha	Recommendation
A sum of Rs. 1,299,582 remained idle in a current account of a state bank since 2019.	I will take action to maintain systematically in the future.	Action should be taken to invest additional amounts productively without retaining them idle.

2.3 Administration of Revenue

2.3.1 Performance in the Collection of Revenue

	Audit observation	Comments of the Pradeshiya Sabha	Recommendation
(a)	Rates and Taxes Action had not been taken to recover the arrears in assessment taxes amounting to Rs.4,553,928 by 31 December of the year under review.	Action will be taken to recover the arrears of assessment taxes in the future.	Arrangements should be made to collect the assessment taxes as per the instructions of the Act.
(b)	Licence Fees Action had not been taken even by the year under review to collect the licence fees amounting to Rs. 147,740, which had been older for more than two years. License fee register or a schedule had not been submitted to the audit to confirm this revenue.	It has become impossible to find out from which institution this arrears amounts should be recovered. I will take action to formally rectify this.	Action should be taken to identify the organizations and to collect licence fees.

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 Human Resource Management

	Audit observation	Comments of the Pradeshiya Sabha	Recommendation
(a)	Action had not been taken even in the year 2021 to recover a distress loan balance of Rs. 54,000, which had been older for more than two years and receivable from an officer who had left the service.	Action is being taken to recover the value of Rs.54,000.	Arrangements should be made to recover the loan balance.
(b)	Securities of employees amounting to Rs. 72,121 obtained from 22 officers of the Pradeshiya Sabha, who should give securities, had not been stated in the notes to the statement of assets and liabilities.	Securities of employees of the Pradeshiya Sabha have not been recorded in the statement of assets and liabilities.	Securities of employees should be disclosed under the notes to the statement of assets and liabilities.