

## **Navithenveli 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 Navithenveli 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 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 accompanying financial statements give a true and fair view of the Financial Position of the Navithenveli Pradeshiya Sabha as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Practices.

#### **1.2 Basis for Qualified Opinion**

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Based on the matters described in paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

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 Sri Lanka Public Sector Accounting Standards, 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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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

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### Accounting Deficiencies

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Audit Observation	Comments of the Council	Recommendation
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(a) Stamp duties of Rs.2,010,400 due for the previous year had not been brought forward as government revenue debtors.	The amount of stamp duty received during the year is shown as income for that year.	Financial statements should be prepared accurately.
(b) The total value of 06 constructions amounting to Rs. 4,010,000 that had been completed in the years 2019 and 2021, was not capitalized.	Actions will be taken to correct the financial statements of the next financial year.	
(c) The value of 09 deposit balances totaling Rs.695,505 was not presented in the financial statements.		
(d) The receivables of Rs.167,500 in the year 2020 due from the rental of JCB and roller machines were not disclosed in the financial statements.		

## 2. Financial Review

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### 2.1 Financial Results

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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.4,361,432as compared with the excess of revenue over recurrent expenditure amounted to Rs. 4,646,166 in the preceding year.

## 2.2 Revenue Administration

### Performance in Revenue Collection

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
<b>(a) Rent</b>		
No steps have been taken since the year 2016, to recover Rs.53,050 due from a lessee for renting out stalls in the 'Savalakkada' market.	Steps have been taken to recover from the concerned persons.	Revenue should be recovered promptly.
<b>(b) Stamp Duty</b>		
The outstanding stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2021 was Rs.2,010,400.	The amount of stamp duty received during the year is shown in the financial statements as income for the year.	Revenue should be recovered promptly.

## 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 Assets

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
<b>(a)</b> Six public markets that were built in the period from 2006 to 2021, at a cost of Rs.9,275,865 were located in abandoned paddy lands where the people did not live, so they could not be used by the people and remained idle.	Those markets will be implemented in the near future.	Arrangements should be made to establish the markets in a suitable place so that the people can use them.
<b>(b)</b> The council had not taken action even by the audit date to use the organic fertilizer production machine purchased by the council for Rs.671,000 in the year under review.	After getting the high power connection, it will be used.	Arrangements should be made to use the organic fertilizer production machine as soon as possible.

### 3.2 Management Inefficiencies

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#### **Audit Observation**

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The value of 30 lands and 04 vehicles owned and used by the Sabha had not been assessed and accounted for and no action had been taken to value them even by the end of the year under review.

#### **Comments of the Council**

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The value will be assessed and accounted for in the future.

#### **Recommendation**

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Valuation and accounting of assets should be expedited.