

## **Pallepola 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 Pallepola Pradeshiya Sabha including the financial statements for the year ended 31<sup>st</sup> December 2021 comprising the balance sheet as at 31<sup>st</sup> 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 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 Pallepola Pradeshiya Sabha as at 31<sup>st</sup> 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**

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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**

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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)**

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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

### 1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The sum of Rs.575,035 to be recovered from two officers due to the accident of a backhoe belonging to the Predeshiya Sabha had not been accounted for.	That the adjusted in the accounts will be corrected in the year 2022.	Financial statements should be prepared accurately.
(b) The estimated value amounting to Rs.44,400,000 of 66 development projects for which bills had not been submitted for payment as on 31 <sup>st</sup> December of the year under review was accounted under Project Creditors.	Being unable to implement in the year 2021, the creditor has been made with the hope of completing the work in the first month of the year 2022.	
(c) The sum of 33 projects amounting to Rs.35,000,000 that were approved for implementation using the provisions of the State Ministry of Rural Roads and Infrastructure, but were not implemented during the year under review, had been considered as receivable from the said Ministries and accounted under Project Debtors.	That the amount indicated under the debtors related to the projects that could not be fulfilled in the year 2021 will be write off from the journal in the year 2022.	Financial statements should be prepared accurately.
(d) The sum of Rs.789,675 related to 03 development projects which had been implemented and payments completed between 2017 and 2020, was further accounted under Project Creditors.	That, adjustments will be made through journal entries in the year 2022.	

### 1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to non-submission of required information 05 account subjects with a total of Rs.39,692,843 could not be satisfactorily examined.	That the documents will be updated and the information will be looked up and the correct information will be presented in the year 2022.	Written evidence should be submitted for audit.

## 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<sup>st</sup> December 2021 amounted to Rs17,034,779 as compared with the excess of revenue over recurrent expenditure amounted to Rs.3,434,637 in the preceding year.

### 2.2 Revenue Administration

#### Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
(a) Rates and Taxes		
Arrears of assessment amounting to Rs.270,224 from 76 assessment units where the outstanding assessment balance per unit exceeds Rs.1,500 for a period of 02 to 18 years, had not been collected as on December 31 <sup>st</sup> of the year under review.	That the arrears will be recovered immediately.	Arrears of assessment should be recovered.
(b) Other income		
As of December 31 <sup>st</sup> of the year under review, court fines and stamp duty due from the Chief Secretary of the Central Province and other authorities were Rs.879,638 and Rs.13,938,485 respectively.	That the arrears will be recovered immediately.	Due court fine and stamp duty receivables 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	Comments of the Sabha	Recommendation
A shortage of An auto level machine, 1000 liter water tank and related spare parts and 114 library books amounting to Rs.93,969 was observed.	The Local Government Commissioner will be referred to carry out F.R.104 investigations regarding shortage and losses will be recovered.	A proper investigation should be done regarding the shortage and necessary action should be taken.

### 3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
At the end of the year under review, the total of 03 accounts receivable balances amounting to Rs.2,507,161 had not been recovered and it included the balance of Rs.1,980,083 of which the uncharged period for less than 01 year, the balance of Rs.510,000 for more than 01 year and less than 05 years, and the balance of Rs.17,077 for more than 05 years.	That the arrears will be recovered immediately in the future.	Receivables should be collected.

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

Audit Observation	Comments of the Sabha	Recommendation
02 concrete mixers and 03 vehicles at a total of Rs.3,961,218 belonging to the council remained idle from 02 to 09 years.	That idle assets will be tendered for sale and auctioned, and assets that can be repaired will be put to use.	Arrangements should be made to repair the repairable assets and dispose of other assets.

### 3.4 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
The ownership of 15 acres, 33 roods, 0.15 perches of cemeteries and other 25 plots of land used by the council, and 15 cemeteries, which have not been surveyed, have not been taken over.	The Land Reform Commission and the Divisional Secretary have been informed, and accordingly the survey work will be done and taken over.	The relevant land plots should be surveyed and taken over.

### 3.5 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
Distress and festival advance loans at a total of Rs.426,262 were not collected from four officers and employees who had transferred and left the service during the years 2018 and 2019.	Outstanding loans will be settled immediately.	Loan balances in arrears should be recovered.