

Padavi Sripura Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Padavi Sripura 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 Padavi Sripura 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

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

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)

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 skepticism 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 Council -----	Recommendation -----
<p>(a) A sum of Rs.1,634,605 receivables for constructions carried out in the year under review had not been debited to the debtor's account.</p> <p>(b) An amount of Rs.1,034,605 payable to the contractors for the construction carried out during the year under review was not credited to the expenditure creditor account.</p>	<p>Will be corrected during the preparation of final accounts for the year 2022.</p>	<p>Financial statements should be prepared accurately.</p>

1.6.2 Documentary Evidences not made available for Audit

Audit Observation -----	Comments of the Council -----	Recommendation -----
<p>The council had not taken action to prepare the detailed documents related to 04 subjects which were Rs.94,253,237 even at the end of the reviewed year,.</p>	<p>I am kindly inform you that this will be presented correctly in the future</p>	<p>Detailed documentation should be properly prepared and updated timely.</p>

1.7 Non-compliance

Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Instances of Non-compliance with Laws, Rules, Regulations and Management Decisions etc. are shown below

Reference to Laws, Rules Regulations etc. -----	Non-compliance -----	Comments of the Council -----	Recommendation -----
<p>(a) Section 159 of the Pradeshiya Sabha Act No. 15 of 1987</p>	<p>Action had not been taken to recover the arrears income of Rs.1,195,765 due at the end of</p>	<p>Actions will be taken in the future to collect arrears.</p>	<p>Arrangements should be made to recover the arrears</p>

the year under review and out of this, Rs. 191,503 is the arrears from the year 2015.

of income promptly.

- (b) Public Finance Circular No. 02 contracts valued at to These contracts were The circulars should
 PFD/PMD/Cir/2021/01 Rs.1,634,605 were awarded on awarded on the be followed.
 dated 29/09/2021 of the 02 occasions without recommendations of
 Treasury Secretary verification of qualifications the Community
 by the head of the institution Development
 and a three-member committee Officer of the
 in awarding direct contracts to Assistant
 community-based Commissioner of
 organizations. Local Government.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented excess of expenditure over recurrent revenue of the Sabha for the year ended 31 December 2021 amounted to Rs. 1,289,996 as against the excess of revenue over recurrent expenditure amounted to Rs. 2,518,878 in the preceding year.

2.2 Revenue Administration

Performance in Revenue Collection

Audit Observation

Comments of the Council

Recommendation

License Fee

Out of the arrear license fee income of Rs.259,350, the arrear income of Rs.149,550 has been outstanding since the year 2015 and no systematic program to recover the arrear license income was implemented by the council in the year under review.

Action will be taken to recover in the future.

Arrears 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 Assets Management

Audit Observation

According to Asset Management Circular No. 02/2017 dated 21 December 2012, 05 vehicles valued at Rs.18,009,050 using by the Pradeshiya Sabha had not been properly handed over to the Pradeshiya Sabha even by the end of the year under review.

Comments of the Council

Arrangements are being made to take over.

Recommendation

Arrangements should be made to taken over the relevant vehicles to the council immediately.

3.2 Human Resource Management

Audit Observation

Due to vacancies in the position of Management Service Officer and Development Officer since the year 2014, the functions of the council's cashier had been performed by a field labor officer working on a substitute basis. Also, the procurement subject of the council had been carried out by a water pump operator and the concerned officer had carried out the tasks related to the procurement activities worth Rs.5,868,932 carried out by the council during the year under review.

Comments of the Council

Letters have been sent to the Governor's office and the Deputy Chief Secretary's office to fill up the vacancies.

Recommendation

Vacancies should be filled promptly.

4. Accountability and Good Governance

Budgetary Control

Audit Observation

A sum of Rs. 5,086,048 were saved from the allocations made for 24 expenditure objects and it was in the range of 50 percent to 98 percent of the estimated allocation value.

Comments of the Council

This situation arose due to the impact of the Corona epidemic in the country.

Recommendation

The annual budget should be used as a formal control instrument.