

Seruwila Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Seruwila 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 Seruwila 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

Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Interest income of Rs.990,980 received during the year under review on the Sabha's fixed deposits was not accounted for as income..	I inform you that it will be corrected.	Financial statements should be prepared accurately
(b) A sum of Rs.1,561,666 of court fine revenue due for the year under review was not accounted for.	I inform you that the amount of court fine due has not been entered in the accounts as it was not received in writing.	Financial statements should be prepared accurately

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 and Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a) Section 159 of the Pradeshiya Sabha Act No.15 of 1987	Action had not been taken to recover the arrears income of Rs. 4,350,456 due at the end of the year under review and out of this, Rs978,316 would have been due from about 05 years.	Actions will be taken to collect arrears.	Arrangements should be made to recover the arrears of income promptly.
(b) Rule 218 of the Pradeshiya Sabha (Finance and Administration) Code of Rules of 1988, published in Gazette Extraordinary No. 554/5 dated 17 April, 1989	The land and buildings costing Rs.120,099,308 were not surveyed every year.	I inform you that the necessary activities will be carried out in the future.	It should be done according to the Pradeshiya Sabhal rules.
(c) Public Finance Circular No. PFD/PMD/Cir/2021/01	In awarding direct contracts to community-based organizations, 05 contracts worth Rs.4,851,826	I would like to inform you that in future we will	Action should be taken according to the

dated 29/09/2021 of the Treasury Secretary were awarded on 05 occasions in the year under review without verifying the qualifications by a three-member committee consisting of two representatives nominated by the head of the institution and the Divisional Secretary. proceed according to circular. Public Finance Circular 01/2001.

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. 4,561,496 as compared with the excess of expenditure over recurrent revenue amounted to Rs. 3,129,409 in the preceding year.

2.2 Revenue Administration

Performance in Revenue Collection

Audit Observation	Comments of the Council	Recommendation
(a) Rent		
(i) According to Section 182 of the Pradeshiya Sabha Act, without the approval of the Minister, a rent income of Rs. 1,707,374 which should have been collected in relation to the years 2020 and 2021 was written off as per Council Decision No. T/SE/PS/Cou:Desi/2021/Nov/534 dated 25 November 2021.	Written off of the relevant amount has been forwarded for the approval of the Honorable Governor.	The provisions of the Pradeshiya Sabha Act should be followed.
(ii) There was an arrear of rental income of Rs.1,161,331 as at 31 December 2021, and the council had not taken steps in the year under review to recover this arrears related to the period from 2011 to 2019.	I would like to inform you that the related arrears will be recovered.	Arrears should be recovered promptly.
(b) Other Income		
(i) The outstanding revenue of Rs.1,681,459 at the end of the year under review, which was 52 percent of the outstanding court fine	- Do-	- Do-

revenue of Rs.3,243,125, was from the year 2018 and the sabha had not taken action to recover the related outstanding revenue even at the end of the year under review.

- | | | | |
|------|--|---|--|
| (ii) | The income earned from vehicles of the sabha under other income was Rs.1,688,100 in the year under review and the expenditure incurred during the year was Rs.1,997,198. Accordingly, it was observed that vehicles that can generate income have not been used efficiently and effectively. | I would like to inform you that in the future, we will correct the deficiencies and take action as necessary. | Vehicles should be utilized effectively to increase revenue. |
|------|--|---|--|

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 or Under Utilized Property, Plant and Equipment

Audit Observation	Comments of the Council	Recommendation
-----	-----	-----
(a) It was confirmed at the date of audit of 06 April 2022, that 26 Cobra type street lamps worth Rs.233,480 purchased by the Pradeshiya Sabha on 16 December 2019 and 129 street lamps purchased on 20 September 2021 for Rs.500,520 were still in stock.	Due to the prevailing situation in the country, the fixing of street lamps has been temporarily stopped.	Purchased goods should be used effectively.
(b) 13 vehicles (vehicle parts) worth Rs.10,053,824, which have been idle for more than 04 years, were not repaired and put to use or properly disposed of even during the year under review.	I inform you that I will take action in this matter in the future.	Action should be taken to repaired and reused or disposed of properly.

3.2 Assets Management

Audit Observation

According to Asset Management Circular No. 02/2017 dated 21 December 2017, no steps were taken even at the end of the year under review to take over 09 vehicles worth Rs.33,967,132 used by the sabha, which do not belong to the Seruvila Pradeshiya Sabha.

Comments of the Council

I inform that arrangements are being made to take over the vehicles.

Recommendation

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

3.3 Procurement Management

Audit Observation

(a) Although late quotations should be rejected as per 6.3.2 of the Procurement Guidelines, the Pradeshiya Sabha had reviewed the late quotations on 08 occasions and awarded procurements worth Rs.585,765.

Comments of the Council

I would like to inform you that I will take care to prevent such defects from occurring in the future.

Recommendation

Procurement guidelines should be followed.

3.4 Human Resource Management

Audit Observation

Due to the vacancy in the post of Revenue Inspector, arrears of Rs.2,483,804 had not been recovered at the end of the year under review.

Comments of the Council

I inform, that requests will be submitted to fill vacancies.

Recommendation

Action should be taken to fill the vacancies.

4. Accountability and Good Governance

Budgetary Control

Audit Observation

A sum of Rs. 17,116,347 were saved from the allocations made for 13 expenditure objects and it was in the range of 50 percent to 98 percent of the estimated allocation value.

Comments of the Council

I inform that the budget will be prepared and the activities will be maintained with good control.

Recommendation

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