

Porathivu Pattu Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Porathivu Pattu Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising the Statement of financial position as at 31 December 2021, Statement of Financial Operations, Statement of changes in equity, 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 Porathivu pattu Pradeshiya Sabha as at 31 December 2021 and of its financial performance for the year then ended in accordance with the 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

1.3 **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 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.

1.4 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
According to the stock register of the council, the closing stock on 31 December 2021 was shown as Rs.1,307,454, but the stock value was not shown in the financial statements.	The closing stock will be shown as an asset in future.	Closing stock should be calculated and accounted for.

1.6.2 Documentary Evidenced not made available for Audit

Audit Observation	Comments of the Council	Recommendation
Land deeds, fixed assets register, asset documents, title confirmation documents were not submitted for audit, regarding 04 asset balances amounting to Rs.47,176,215 shown in the financial statements as at 31 December of the year under review.	Necessary arrangements have been made for valuation of fixed assets and transfer the ownership of vehicles.	Asset register should be updated and maintained.

2. Financial Review

2.1 Financial Results

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. 35,954,444 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 2,423,315 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

The observations regarding the revenue collection performance of the council are given below.

Audit Observation

Comments of the Council

Recommendation

No action had been taken to recover the arrears of public market rent balance of Rs.309,200 at the end of the year under review.

Arrangements have been made to collect public market rent related to the previous period.

Actions should be taken to recover the outstanding amount.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation

Comments of the Council

Recommendation

Even though the amount of Rs. 172,419 has been shown as money fraud of the former secretary under the bank balance in the financial statements for several years, it has not been recovered.

As the case related to the ex-secretary's money fraud is pending in the court, it has not been possible to recover.

Action should be taken according to the judgment.

3.2 Delays in Project Activities and Capital work

Audit Observation

Comments of the Council

Recommendation

Out of the money received and deposited in the year 2017, by submitting reports that repairs of toilets, installation of name boards for roads and construction of children's parks have been completed under the strengthening program of 2016, projects worth Rs.750,000 were not commenced until the audit date of 05 April 2021.

The industry could not be completed due to the chairman's insistence on the proposed relocation. It has been mentioned here that the money related to the project was completed in order to avoid sending it back unused. Necessary arrangements will be made to complete these projects in the coming year.

Projects should be implemented within the relevant period.

3.3 Human Resource Management

Audit Observation

Comments of the Council

Recommendation

(a) 22 vacancies related to 11 posts in the council had not been filled.

Although we have informed the Ministry of Local Government and the Deputy Chief Secretariat office about the vacancies in the council, they have not yet filled them.

The relevant departments should be informed again to fill the vacancies.

- (b) Distress loans and other loans of Rs.503,195 given to 06 employees of the council had not been recovered for more than 20 financial years. The arrears of 06 employees who worked in the council are due from before the year 2000. Information regarding these employees has not been available. In this regard, the Assistant Local Government Commissioner will be consulted and further action will be taken accordingly. Actions should be taken to collect the employee loan arrears or take action accordingly.

4 Accountability and Good Governance

4.1 Audit Committees

Audit Observation

The Audit and Management Committees have not been established and meetings held by the Sabha as per Audit Guidelines Circular No. DMA/2009(1) and dated 09 June 2009 issued by Management Audit Department.

Comments of the Council

Audit and Management Committees have been formed but meetings could not be held due to the covid epidemic in the country.

Recommendation

Arrangements should be made to hold audit and management committee meetings.

4.2 Sustainable Development Goals

Audit Observation

Financial allocations necessary to identify and act on indicators to measure the development agenda to be achieved by the council in the year 2030 according to the Sustainable Development Act No. 19 of 2017, was not included in the budget of the year under review.

Comments of the Council

Sustainable development indicators will be identified in the future and necessary measures will be taken to implement them.

Recommendation

Sustainable development indicators should be identified and implemented.