

Koralai Pattu North Pradeshiya Sabha- 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Koralai Pattu North 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 Koralai Pattu North 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

1.4 **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 -----
The contributions payable to the Pension Department at the end of the year under review amounting to Rs.34,773 was not shown as a liability in the financial statements.	The details regarding the contribution of Rs.34,773 to be paid to the Pension Department could not be verified, so it was not shown as liability.	Liabilities should be verified and shown in the accounts

1.6.2 Documentary Evidenced not made available for Audit

Audit Observation -----	Comments of the Council -----	Recommendation -----
Land deeds, fixed assets register and individual values of assets were not submitted in respect of 05 asset balances worth Rs.95,611,060 as at 31 December of the reviewed year,.	Necessary arrangements are being made to obtain the documents related to the assets indicated by you.	Arrangements should be made to obtain written evidence of assets.

1.7 Non-compliance

Non-compliances 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 -----
Financial Regulation 371(2)(b) of the	Action had not been taken in the relevant period to recover	I will take action in the future to correct	Advances should be recovered as per

Democratic Socialist the advance amount of the matters pointed financial Republic of Sri Lanka. Rs.565,497 given in the out. regulations. period of 03 years.

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. 5,850,993 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 3,437,231 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
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(a) Income was lost due to non-leasing of 02 shops out of 08 shops owned by the council and action had not been taken to recover the rent arrears of Rs.363,550 from the leased shops that leased till the end of the year under review.	At present, arrangements have been made to lease the shops, and arrangements have been made to collect the arrears.	Arrangements should be made to utilize the assets for the relevant purpose and recover the arrears.
(b) There were arrears of Rs. 303,350 from the leasing of machinery in the reviewed year and the previous year, and the council had not taken steps to recover it.	Arrangements are being made to recover the arrears.	Arrangements should be made to recover the arrears of rent.
(c) Although there was an arrears of Rs.713,689 for water distribution fees to the public by the council, action had not been taken to recover.	Due to the unfavorable situation in the country during the financial year, there was a delay in the collection of arrears. I kindly inform you that action has been taken to recover the arrears.	Action should be taken to recover arrears revenue.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
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(a) Telephone charges of Rs.264,000 were paid for the chairman, vice chairman and members, without submitting the telephone	I would like to inform you that attention will be paid in the payment of telephone	Telephone charges should be paid after receipt of bills as per gazette

bills as stated in the special gazette number 2184/9 dated 13 July 2000. charges in the future. advertisements.

- (b) It was revealed that 407 library books were missing in Vaharai, Mankeni and Kadiraveli public libraries in the year under review. The council had not taken steps to get back the books or recover the value of the books. Necessary measures are being taken regarding the misplaced books. The council should take action to get the books or recover the value of the books.

3.2 Assets Management

Audit Observation

Action had not been taken to repair 07 vehicles and 04 tractor-tailors owned by the council

Comments of the Council

Vehicle assets owned by the council that need to be repaired will be repaired as soon as financial allocations are received.

Recommendation

Action should be taken to repair the vehicles and put into use or disposed of.

3.3 Human Resource Management

Audit Observation

Action had not been taken to fill 12 vacancies related to 07 posts in the Sabha.

Comments of the Council

The attention of the council has been paid for the positions approved by the Department of Management Services,

Recommendation

Arrangements should be made to fill the vacancies of the posts.

4 Accountability and Good Governance

4.1 Presentation of Financial Statements

Audit Observation

According to sub-section 16(2) of the Audit Act No. 19 of 2018, the annual performance plan was not submitted with the financial statements.

Comments of the Council

Arrangements will be made to present the performance plan with the financial statements in the future.

Recommendation

Action plan should be presented according to the National Audit Act.

4.2 Audit Committees

Audit Observation

Audit and Management Committees were not established and meetings were not

Comments of the Council

Action has been taken by the Sabha to hold meetings

Recommendation

Arrangements should be made to

held by the Sabha during the year under review. properly in the future.

hold audit and management committee meetings.

4.3 Sustainable Development Goals

Audit Observation

The council had not identified the sustainable development goals to be achieved in the year 2030 according to the Sustainable Development Act No. 19 of 2017.

Comments of the Council

According to the financial situation of the council, these deficiencies will be corrected in the future.

Recommendation

Sustainable development indicators should be identified and implemented.