

Koralaipattu Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Koralaipattu 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 the provisions of the National Audit Act No. 19 of 2018 and the Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987. 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 Koralaipattu 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

My opinion is qualified 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

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 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.

1.5 Report on Other Legal and Regulatory Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the 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 recommendations made by me in the previous year as per the requirement of Section 06 (1) d (iv) of the Audit Act No. 19 of 2018.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Council	Recommendation
(a) At the end of the year under review, receivables of Rs. 5,483,962 salary reimbursements had not been shown as receivables in the financial statements.	Actions will be taken to settle in the final account report of the next year.	Receivables should be disclosed as assets in the financial statements.
(b) The outstanding Rs. 600,000 on tourist resort fee income as at the end of the year under review had not been shown as an asset in the revenue financial statements.		

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comment of the Council	Recommendation
The relevant documents of the account balances worth Rs. 317,879,395 stated in the financial statements as at the last day of the year under review, had not been submitted for audit.	Actions will be taken to obtain documents and evidence of assets in the future.	Registers should be maintained.

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 December 2021 amounted to Rs. 22,693,671 as compared with excess of revenue over recurrent expenditure amounted to Rs. 3,163,698 in the preceding year.

2.2 Revenue Administration

Revenue Collection Performance

Following are observations on the performance of all revenue collections of the council.

Audit Observation	Comment of the Council	Recommendation
In the year under review, shop rents and land lease of Rs. 1,987,113 had been remained as arrears, without any action being taken to collect them.	Actions will be taken to collect arrears shop rents and land lease.	Actions should be made to recover the arrears shop rents.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Council	Recommendation
(a) The environmental protection licenses of 67 institutions had expired, but actions had not been taken to renew those licenses as per Section 08 of Gazette No. 1534/18 dated 01 February 2008.	Environmental protection licenses are being renewed.	Actions should be taken to renew the licenses as per the Act.
(b) Actions had not been taken to take back or recover the value from the relevant persons for 1,865 books with a value of Rs. 369,054 which taken by the readers in 06 libraries and not returned.	Actions will be taken to promptly refund or otherwise recover the value of the loss from the readers.	Actions should be taken to take back the books or recover their value.
(c) The sum of outstanding loans due from 05 employees who took loans from the council was Rs. 416,173, but actions had not been taken to recover any amount for the past 02 years.	Actions should be taken to recover the outstanding amount from the relevant employees and guarantors.	Arrangements should be made to recover outstanding loans.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation

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

Comment of the Council

Actions will be taken to submit the performance report along with the accounting reports in the future.

Recommendation

The performance report should be submitted along with the financial statements as per the National Audit Act.

4.2 Sustainable Development Goals

Audit Observation

According to the Sustainable Development Act No. 19 of 2017, the council had not identified the development objectives to be achieved in the year 2030.

Comment of the Council

Appropriate actions will be taken in future budget regarding sustainable development goals.

Recommendation

Sustainable development indicators need to be identified and action taken to implement them.