

## **Eravur Pattu Pradeshiya Sabha - 2021**

---

### **1. Financial Statements**

---

#### **1.1 Qualified Opinion**

---

The audit of the financial statements of the Eravur Pattu 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 Eravur Pattu 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.

- 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.
- 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

	<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a)	At the end of the year under review, the reimbursement of salary receivable amounting to Rs. 3,809,453 had not been disclosed as receivable in the financial statements.	The financial statements for the year 2021 have not disclosed due to an error. Will be rectified in the year 2022.	Receivable should be disclosed in the accounts.

- |   |   |   |
|---|---|---|
| (b) According to the register, the rent and lease rent payable on 31 December 2021 was Rs. 3,737,404, but Rs 8,634,121 had been disclosed as in the financial statements. | Actions will be taken to rectify the mistakes by reviewing previous year registers. | Variations should be identified and necessary corrections should be made in the accounts. |
|---|---|---|

## 1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comment of the Council	Recommendation
Title deeds, fixed asset register, value proof documents and proof of ownership documents had not been submitted for audit in respect of asset accounts worth Rs. 358,414,232 included in the financial statements as at 31 December of the year under review.	Registers for land and buildings have prepared. They are being recorded. Registers are maintained for others.	Actions should be taken to obtain written evidence of assets.

## 1.7 Non- Compliances

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

Following observations are related to non-compliances with Laws, Rules, Regulations and Management decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(a) Financial Regulation no 371	Rs. 6,370,413 given as advance, had been remained unpaid for more than 02 years.	Actions will be taken to rectify this in the near future.	Actions should be taken to refund the deposits to the concerned persons or transfer them to revenue.
(b) Financial Regulation no 571(1)and(2)	Actions had not been taken to refund the overdue deposits of Rs.1,717,008 which were over 02 years, to the concerned persons or to transfer them to the income account.	- Do -	Actions should be taken to recover the advance from the concerned persons.

## 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. 83,880,400 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 44,622,683 in the preceding year.

## 2.2 Revenue Administration

### 2.2.1 Revenue Collection Performance

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

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a) From 2009 to the end of the year under review, the arrears of rent and lease amounting to Rs.8,634,121 had not been recovered.	Reduced values for deposits and deductions are currently being charged.	Actions for recovery of arrears of rent and lease should be expedited.
(b) Entertainment tax of Rs.992,081 due from one movie theater had been remained uncollected for several years. However, the cinema had been operating continuously and the entertainment tax had not been calculated for the past 03 years.	Appropriate actions should be taken to recover.	Actions should be made to recover the arrears of income.
(c) Court fines of Rs. 49,310,700 and stamp duty of Rs. 15,555,000 should have been received from the Chief Secretary of the Provincial Council and all officials by 31 December 2021.	At present, all stamp duties are checked and all dues are being settled.	Actions should be taken to recover fines and stamp duty.

## 3. Operational Review

### 3.1 Management Inefficiencies

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a) Ownership of 09 vehicles which were received as donations from other government institutions, had not transferred to the name of the council.	Actions are being taken to hand over vehicles whose ownership has not been transferred to the name of the council.	Actions should be taken to transfer the ownership to the name of the council.
(b) After the year 2018, the council had not been conducted a library book survey for a period of 03 years.	The council is taking appropriate actions to carry out the book survey related to the mentioned years.	Library book survey should be done at regular intervals.

### 3.2 Idle or underutilized Property, Plant and Equipment

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
The Chenkaladi market complex built with a financial allocation of Rs. 20 million under the Cooperative Economic Strengthening and Social Infrastructure Development Program (2018/19) had not being used as on the date of audit.	After the construction of the drainage system, market traders have been instructed to sell fish.	Actions should be taken to use the market building for specified purposes.

### 3.3 Delays in Project Activities or Capital works

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
The council had spent Rs. 4.59 million from 2016 to the end of the year under review for the drinking water supply project built in 2015 at a cost of Rs. 40 million through the JICA loan project, to distribute drinking water to about 400 rural families at Karadianaru. However, it was found that, water had been left unsupplied to the people by the date of the audit.	Any assets and documents related to the Karadianaru drinking water distribution project were not handed over to the council.	Actions should be taken to use it for the respective purposes.

### 3.4 Human Resources Management

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a) 19 vacancies belonging to 11 posts had not been filled up.	The council has taken action regarding the staff.	Actions should be taken to fill up the vacancies or change the approved cadre.
(b) The council had not taken actions to collect the loan amount of Rs. 117,131 from the relevant persons or guarantors to be collected from the 03 retired, suspended and transferred employees since last 05 years.	Letters have been sent to the guarantors in writing on several occasions to recover.	Effective actions should be taken to recover outstanding loan balances

## 4. Accountability and Good Governance

### 4.1 Internal Audit

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
Internal audit functions had not been carried out by the council for the year under review as per the provisions of Financial Regulations 133 and 134 of the Democratic Socialist Republic of Sri Lanka.	An internal auditor is appointed to the council and audit functions are carried out.	Actions should be made to implement internal audit functions.

### 4.2 Sustainable Development Goals

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
According to the Sustainable Development Act No. 19 of 2017, the local council had not been identified the sustainable development objectives to be achieved in the year 2030.	Actions are being taken to implement developments, based on goals related to sustainable development goals.	Sustainable development indicators need to be identified and action should be taken to implement them.