

**1. Financial Statements**

-----

**1.1. Qualified Opinion**

-----

The audit of the financial statements of the Attanagalla Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising the statement of assets and liabilities as at 31 December 2021, comprehensive income statement, 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 the 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 financial statements give a true and fair view of the financial position of the Attanagalla Pradeshiya Sabha as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

**1.2. Basis for Qualified Opinion**

-----

I expressed qualified opinion 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 Sri Lanka Public Sector Accounting Standards for Local Authorities 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 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 Requirements

-----

National Audit Act, No. 19 of 2018 include 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

-----

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
-----	-----	-----
(a) An amount of Rs.8,127,360 which should have been accounted for as Non-Current Assets, had been accounted under Recurring Expenditure.	Will be account for correctly.	Should be correctly accounted for.
(b) The value of Other Comprehensive Income for the year should be computed and shown separately in the Comprehensive Income Statement for the year. In that computation, the value of the capital expenditure grant received in the year 2021 had been stated as Rs.67,423,908 as per the explanatory notes No. 10 and in the Comprehensive Income Statement, as Rs.66,259,763. Although the financial result was not affected due to this, the Comprehensive Income for the year has been understated by Rs.1,164,145.	The Comprehensive Income Section will be completed accurately, when preparing Accounts for the year 2022.	The value of Other Comprehensive Income Statement, should be accurately recorded.

- |  |  |                                       |               |
|--|--|---------------------------------------|---------------|
| <p>(c) As a result of library books amounting to Rs.211,291, received as donations in 2020, had been credited to the Comprehensive Income Statement for the year, instead of being adjusted to the Capital expenditure Grants Account, the amortization value of Capital Expenditure Grants had been understated by Rs.21,129 and Unidentified Capital Expenditure Grants in the Surplus as at 31 December of the year under review, had been understated by Rs.190,162.</p> | <p>Actions will be taken to correct.</p> | <p>Should be accounted correctly.</p> | <p>be for</p> |
| <p>(d) The value of 08 completed provincial council projects had been Rs.5,245,251 as per Industry Register where as it had been accounted as Rs.5,769,777 .</p>   |  |                                       |               |
| <p>(e) 21 nos. Projects of Sabha, amounting to Rs.7,370,873 which were completed but not paid for during the year under review, had not been accounted for.</p>  | <p>Actions will be taken to correct.</p> | <p>Should be accounted correctly.</p> | <p>be for</p> |
| <p>(f) The total sum of Rs.24,906,238 of 42 completed projects as at 31 December 2021, under the Rural Road Development Program, had not been accounted for.</p>   |  |                                       |               |
| <p>(g) The sum of Rs.1,628,000, payable for purchasing 10 nos. computers in the year 2021, had not been accounted for.</p>   |  |                                       |               |

## 1.7. Non- Compliances

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

Reference to Laws, Rules Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	571(1) Actions had not been taken to regulate Tender Deposits, Tender securities, Contract securities, General Deposits, amounting to Rs.3,906,746, which were deposited in 185 instances from 2004 to 2018, had not been regulated.	These deposits could not be collected to the Income due to the epidemic situation prevailed in the country. Since the relevant parties have now been informed again, arrangements will be made to collect deposits of those years as soon as possible.	In terms of the Circular, actions should be taken to refund deposits or collect to income
(b) in terms of Section 20 of the Rating and Valuation Act No.30 of 1946	Even though, assessments for Rates should be executed by the Department of Valuation, once in 05 years, 13,738 properties in Egodapotha and Megodapotha sub-offices had been charged for Rates as of 31 December 2021, based on the assessment done in 13 years ago.	These delays have occurred due to conditions at the Department of Valuation and reminders have been sent.	Assessment should be carried out immediately by sending reminders and actions should be taken to obtain new Rates.

- (c) Local Government Circular (Western Province) No. LGD/13/2016 Dated 09 November 2016
- In relation to a local authority, the monthly rent must be revised every 03 years from the date of agreement for each building or land subject to a lease agreement based on the assessment of the government assessor or a chartered assessor, but new agreements have not been entered in to for 115 shops of Nittambuwa Shopping Complex, of which the lease agreements have been old for more than 20 years.
- The files of the shops of Nittambuwa Shopping Complex do not indicate a time period within which lease agreements should be renewed. The shop owners do not like to enter in to new agreements as there is a clause “indefinite lease period” included in the deeds processed by them.
- Assessments should be carried out in terms of the Circular and the new agreements should be entered in to for charging under new Rates. Legal advises should be sought whenever necessary and be acted upon them accordingly.

## 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.76,585,446 as compared with the revenue over recurrent expenditure amounted to Rs.82,341,448 in the preceding year.

### 2.2. Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Council are given below.

Audit Observation	Comments of the Sabha	Recommendation
<b>Rates and taxes</b>		
(a) Rates arrears as at 31 December 2021 had been Rs.30,790,321 and that outstanding balance had been Rs.26,642,309 by the month of April 2022. According to the time analysis, out of the balance as at	Though plans had been made to implement programs for collecting arrears Rates, due to epidemic conditions occurred in the country,	Actions should be taken to recover arrears Rates.

31 December 2021, a sum of Rs.7,382,836 had been outstanding for more than 10 years, Rs.8,330,826 had been arrears for 05 to 10 years, a sum of Rs.7,546,713 had been outstanding for 03 to 05 years, a sum of Rs.5,143,452 had been outstanding for 01 to 03 years and amount for less than 01 year had been Rs.2,386,494 and actions had not been taken to recover those amounts.

those programs could not be implemented.

(b) Trade stall Rent

-----

Arrears Trade stall Rent as at 31 December 2021 had been Rs.2,643,622 and that amount had become Rs.2,224,738 by 01 June 2022. That arrears Rent balance had included some arrears rent of Rs.768,610 relating to 07 sealed shops of Veyangoda Sub Office outstanding for more than 10 years and no actions had been taken to recover.

As a result of shops being closed due to the epidemic situation in the country and customers not coming to shops, the shop owners had difficulties in paying rent and therefore had not been able to recover.

Actions should be taken to recover arrears rent.

**3. Operational Review**

-----

**3.1. Management Inefficiencies**

-----

**Audit Observation**

**Comments of the Sabha**

**Recommendation**

-----

-----

-----

(a) 119 out of 311 public complaints received by the Sabha, during the period up to 31 December 2021, had not been resolved by 01 June 2022, the progress of resolution compared to complaints received, had been 38 percent.

Even though the investigation of public complaints had been entrusted to Technical Officers, public complaints had piled up as the Technical Officers did not have sufficient time to investigate complaints due to their heavy work loads. At the moment, complaints are being investigated into.

Actions should be taken to investigate public complaints quickly.

- (b) The Attanagalla Pradeshiya Sabha had paid an amount of Rs.1,876,800 from the council fund to the plaintiff of the case on 15 May 2019 according to the decision of the land lawsuit No. 39980. Even though, in a letter dated May 13, 2019, the Chairman of the Pradeshiya Sabha requested the Assistant Commissioner Local Government – Gampaha, to carry out an investigation to determine responsibility for this loss, and reminded subsequently, it had not been done as of 01 June 2022, making more than 3 years being passed by from the date of loss, without being able to recover the loss from the responsible parties.
- Though, reminders have been sent to the office of Assistant Commissioner, no reply has been received so far.
- Actions should be taken to recover the loss from the responsible parties by conducting a formal investigation
- (c) The value of the loss incurred by the Sabha from 01 January 2019 to 31 December 2021 had been Rs.27,575,100 for not taking steps to collect income based on the revised rent dated March 22, 2019. Further, based on a resolution passed in the General Meeting dated December 14, 2021, 50 percent of the assessed value has been charged as shop rent from January 01, 2022.
- The General Meeting resolution, “to charge 50% of revised assessment after having the approval from the Governor” was referred to the Governor’s approval and from January 2022, actions had been taken to charge 50% of the revised rent assessment without entering into agreements.
- Shop rent should be charged based on revised assessment and by entering into agreements.
- (d) Although the council had received the assessment report of monthly rent of the bank and corporation premises in the Nittambuwa bus stand on 16 May 2019, no action had been taken by 10 December 2021 to re-enter into agreements with those institutions based on assessed rent. Therefore, as per the new assessment, the revenue loss for 2½ years from 16 May 2019 to 10 December 2021, had been Rs. 5,700,000. People’s Bank had rejected to enter in to agreement due to 99-year lease held by it.
- Legal advice has been sought regarding the benefits and detriments of that agreement to the Pradeshiya Sabha. From the year 2022, billing has been done according to the new assessment, and National Savings Bank and Sri Lanka Insurance Corporation are making payments according to the new assessment.
- Agreements should be entered into for collecting revenue as per new assessment report.



**3.2. Assets Management**  
-----

<b>Audit Observation</b> -----	<b>Comments of the Sabha</b> -----	<b>Recommendation</b> -----
65 nos. plots of land and cemeteries worth Rs.3,695,463,500 belonging to Attanagalla Pradeshiya Sabha area, had not been taken over by Sabha as of March 16, 2022,	Requests have been made since 2012 to the Attanagalla Divisional Secretary to hand over the cemeteries and government-owned lands to the Sabha. Although the approval from the Provincial Land Commissioner has been requested for handing over, further action cannot be taken as it has not been done.	Lands in the Pradeshiya Sabha Area, which belong to the Sabha, should be taken over by the Sabha.

**3.3. Human Resources Management**  
-----

<b>Audit Observation</b> -----	<b>Comments of the Sabha</b> -----	<b>Recommendation</b> -----
Employee loan ----- As of 31 December 2021, the Sabha had not taken steps to recover a balance of Rs.138,187 outstanding from the year 2010 due from 03 officers of whom no information could be found.	Actions are being taken to verify whether the debtors are not alive. Reminder letters have been sent to the Divisional Secretary regarding the charging from the guarantors.	Actions should be taken regarding the officers who do not maintain employee loan information.