

Pointpedro Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Pointpedro 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 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 financial statements give a true and fair view of the financial position of the Pointpedro 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

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 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 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 Sabhas 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 described 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

Following observations are made.

Audit Observation -----	Comments of the Council -----	Recommendation -----
4H Keaders of Kudaththanai sub office valued to Rs. 476,373 had not been included in the stock control accounts , thus indicating the current asset and accumulated fund had been understated in the financial statements by that amount.	Separate register is maintained.	It should be ascertained to make the records on time and accuracy of the value of the stocks should be included in the financial statements.

1.6.2 Non-submission of Documentary Evidences for Audit

Item -----	Amount Rs.	Evidence not submitted -----	Comment of the Council -----	Recommendation -----
(a) The cemeteries	24,772,495	Evidence to confirm the ownership.	Development activities had been made based on the survey plan and note sheet, even though the action had been made to acquire, had not been vested to sabha up to now	Meaningful action should be expedited in this regard.
(b) The capital development works	40,606,760	Detail of capital development works	It had been decided by the council at its decision No. 22/24.02.2022 to carry out the development works for allocation made for Rs.27,530,277.90	Meaningful action should be expedited in this regard.

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| (c) | The arrears of rate and tax recoverable from Lands, houses, and buildings belonging to the places vested for pradeshiya sabha in terms of section 134 (i) of Pradeshiya sabha Act. No.15 of 1987, | 1,110,847 | Age analysis of revenue arrears | Even though the mobilisation services had been conducted regarding the recovery of rate and taxes, public had not been attended due to COVID 19 pandemic | Meaningful action should be taken in terms of specific legal provisions. |
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1.7 Non- Compliances

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

All observations related to non-compliances with Laws, Rules, Regulations and Management decisions etc. be shown under this heading.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
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(a) Pradeshiya Sabha Act No. 15 of 1987 - Section 158 (1)	Warrants had not been issued by the secretary to those who had failed to pay the arrears of rates during the period ranging from 01 – 05 years.	Even though the warrants had been issued to the occupants in the register, unable to issue to the occupants who were not available in the residences. Action will be taken to issue the warrants soon after receipt of new value assessment.	Proper action should be taken in terms of specified legal provision.
(b) Ministry of Public Administration and Management Circular No. 05/2018 of 24.01.2018	Even though each member should have been trained at least 12 hours in a year, had not been trained over 03 years.	Officers attended the training arranged by the Management development Training Unit, had not been trained the officers in unscheduled post due to COVID -19 pandemic.	Training should be facilitated in terms of the provisions in the circular.

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.42,348,978 as compared with the excess of revenue over recurrent expenditure amounted to Rs.28,688,564 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

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

Audit Observation	Comments of the council	Recommendation
(a) Rates Even though the invoiced revenue for the year under review was Rs. 149,087, revenue arrears of Rs.64,335 had not been collected.	Public had not interested to pay the rates due to the abnormal situation and mobile service had also not been conducted. Action is being taken to recover the rate in this year.	Action should be taken to strengthening the revenue collection management and collection of revenue arrears efficiently
(b) Even though the arrears of lease rentals were Rs. 294,005 during the period from 01 to 08 years, lease agreement for 06 shops had not been renewed for the year under review.	Arrears of lease rental amounting to Rs.118,440 was pertaining to the years 2008,2011,2013,2014, action is being taken to waive off with the approval of the council. Further time exemption for arrears of lease rentals had been approved by Hon. Governor for 2021 and action is being taken on renewed and non-renewed agreements after the continuation to the value assessment.	Action should be expedited regarding the arrears and contract should be renewed as per the agreement.

3. Operational Review

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 3 of the Pradeshiya Sabha Act are shown below.

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
Value assessment for 7,320 properties in the area of Puloly sub office had not been done after 1972 and value assessment for 2,419 properties in Chempiyampattu and 1,567 properties of Kudathanai sub offices had not been done even up to now, thus indicating the deterioration in collection of revenue.	Action will be taken after receipt of the value assessment.	Assets should be revalued and included in the accounts and rates should be recovered accordingly.

3.2 Operational Inefficiencies

Audit Observation

Even though the revenue could be generated from Heavy vehicles valued to Rs.18,224,179 over 05 years, action had not been taken to do so.

Comments of the Council

Particular serice could be provided due to unavailability of suitable places to remove the solid wastages by using Lorry Gully Bowsers (S) and 02 Gully Bowser.

Recommendation

Action should be taken to generate the income by using those vehicles.

3.3 Transactions of Contentious Nature

Audit Observation

The value of Rs 333,685 02 renovation works for Santhai Thouddam Market and Manakadu Beaf Shop had been made, but those lands had not been belonging to the sabha,

Comments of the Council

Action is being taken to transfer the state land belonging to this sabha.

Recommendation

Action should be expedited in this regard.

3.4 Assets Management

Audit Observation

Ownership of 06 vehicles, and 33 cemeteries had not been belonging to the council even up to now, action had not been taken.

Comments of the Council

The vehicles could be registered due to the various reasons.

Recommendation

Action should be expedited in this regard.

3.5 Procurement Management

Audit Observation

Even though the period of contract agreement for 04 works awarded at Rs.8,362,592 lapsed, the works had not been commenced and the action had not been taken in terms of Section 11 of Construction Industry Development Authority (CIDA) and Section 2.11.4 (a) of Procurement Guide Lines -2006

Comments of the Council

Not Commented.

Recommendation

Action should be expedited in this regard.

3.7 Management of Vehicle fleet

Audit Observation

Action had not been taken on 02 vehicles utilised by the saha in terms of Public Finance Circular No. 02/2015.

Comments of the Council

Action will be taken to remove from the Government Property after receiving the documents for transfer of vehicle from UNHCR

Recommendation

Meaningful action should be expedited in terms of the provisions in the circular.