

Haldummulla Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Haldummulla 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 for the year ending on that date, Cash Flow Statement and significant accounting policies and other explanatory information was carried out, under my direction in pursuance of provisions in Article 154(1) of the constitution of the Democratic Socialist Republic of Sri Lanka which should be read in conjunction with Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and the provisions of the Audit Act No. 19 of 2018. My comments and observations which I consider should be reported to the parliament are appeared 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 Haldummulla 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 Principles.

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 Principles, 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 Pradeshiya Sabha's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable preparing 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

Special provisions regarding following requirements are included in National Audit Act, No. 19 of 2018.

- (a) In terms of section 6 (1) d (iii) of National Audit Act, No. 19 of 2018, the financial statements of Haldummulla Pradeshiya Sabha are consistent with the preceding year.
- (b) In terms of section 6 (1) d (iv) of National Audit Act, No. 19 of 2018, the recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Audit Observations on the preparation of Financial Statements Accounting Deficiencies

Audit Observation -----	Comments of the Council -----	Recommendation -----
(a) Although a proposal to written off Rs. 50 or above should be approved by the Minister in accordance with the section 182 of Pradeshiya Sabha Act, a debtor balance amounting to Rs. 2,872,824 had been removed from the accounts without a proper approval. As a result of that Accumulated fund and debtor balance had been understated by that amount.	It has been mentioned that balances which were not able to find information had been written off.	Revenue which has written off without approval should be collected.
(b) As a receivable amounting to Rs. 51,300 related with a disciplinary order given regarding the loss of sub-paper books on 24 December 2020 had not been included in the financial statements, revenue of the year and current assets have been understated by that amount.	It has been mentioned that action would be taken to include in the revenue of the year 2022.	Accounts should be prepared correctly.

2. Financial Review Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year under review had been Rs. 3,771,925 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 5,294,403 in the preceding year.

**2.2 Revenue Administration
Performance in Revenue Collection**

Audit Observation	Comments of the Council	Recommendation
Arrears of other income, water charges and acre taxes amounting to Rs. 722,281 ,which had elapsed more than 05 years and unable to find detailed information, had not been .recovered in the year under review	It has been mentioned that action would be taken to collect in the future.	Action should be taken to collect arrears of revenue.

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 sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Although 15 shops owned by the Sabha had been leased without entering to agreements with the Sabha before the year 2011, arrears of shop rents amounting to Rs. 487,372 which has elapsed more than 10 years had not been collected.	It has been mentioned that 03 shop owners had been sued to collect arrears of shop rents, and actions had been taken to collect other shop rents.	Action should be taken to collect arrears of shop rents.
(b) Ownership of collecting fees from Uda Viharagala viewing room and the public toilet owned by the Pradeshiya Sabha had been leased for one leaseholder changing only the lease amounts for 3 years from 2019 to 2021, and arrears of leases as at 31 December 2021 amounting to Rs. 309,276 had not been collected in accordance with the conditions of the agreement.	It has been mentioned that leaseholder had been sued regarding collecting arrears of leases.	Arrears of revenue should be collected.