

## **Meegahakiula Pradeshiya Sabha - 2021**

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### **1. Financial Statements**

#### **1.1 Unqualified Opinion**

The audit of the financial statements of Meegahakiula 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, the accompanying financial statements give a true and fair view of the financial position of Meegahakiula 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 Unqualified Opinion**

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 unqualified 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.

- In terms of section 6 (1) d (iii) of National Audit Act, No. 19 of 2018, the financial statements of Pradeshiya Sabha are consistent with the preceding year.
- 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 Non- Compliances

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

Observations related to non-compliances with Laws, Rules, Regulations and Management decisions are as follows.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 371(1)	Advances amounting to Rs. 494,050, which had been paid to 05 approved associations for 05 constructions including 02 roads, 02 bridges and a canal in the year 2014 and 2015, and elapsed more than 06 years, had not been settled.	It has been mentioned that sabha did not have documents related with those constructions and relevant action would be taken regarding that.	Action should be taken in accordance with Financial Regulations.

## 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 of the year under review had been Rs. 3,026,558 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 1,121,439 in the preceding year.

**2.2 Revenue Administration  
Performance in Revenue Collection**

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
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Arrears of water charges amounting to Rs. 524,024 of 535 household water consumers according to water meters and elapsed more than 05 years, had not been collected even in the year under review.	It has been mentioned that action would be taken to collect in the future.	Arrears of water charges should be collected.

**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.

**Asset Management**

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
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(a) Dolomite project building, which had been constructed by Meegahakiula Divisional Secretariat on the provisions of decentralized fund and transferred to the sabha before 16 years, had been idle so far without using for any effective purpose. Also the ownership of this land belonging to the project had not been settled and transferred.	It has been mentioned that a letter related with acquiring the building had been received from Divisional Secretariat, and survey for acquiring should be done.	Resources of the sabha should be utilized effectively.
(b) Two storey building with the bus stand and 08 shops had been built spending Rs. 17,870,884 under the financial sponsorship of Asian Development Bank in the year 2014, without settling the ownership of the land and access and without proper feasibility study, and had been completed constructions in the year 2017 and transferred to the sabha. Above places had been unable to use as the bus stand due to not having sufficient space to access to the main road. Meegahakiula pradeshiya sabha had been unable to use this building to generate any income as businessmen had not been interested to obtain 08 shops in this building. Although it had been passed more than 04 years after constructing the building, it had been idle, glasses and doors had been broken and become a unclean building.	It has been mentioned that action had been taken to acquire the land.	Assets belonging to the sabha should be utilized effectively.