

## **Galenbidunuwewa Pradeshiya Sabha - 2021**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Galenbidunuwewa Pradeshiya Sabha for the year ended 31 December 2021 comprising the statement of assets and liabilities as at 31 December 2021 and the statement of comprehensive income, statement of changes in net assets/equity, cash flow statement, and other explanatory information, including a summary of significant accounting policies, 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 read in conjunction with Sub-section 172 (1) of the Pradeshiya Sabhas Act, No.15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be presented in 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 Galenbidunuwewa 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**

My opinion is qualified based 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 Responsibility for the Audit of 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 financial reporting process of the Pradeshiya Sabha.

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 Scope of Audit (Auditor's Responsibility in Auditing 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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed and identify and assess the risks of material misstatement of the financial statements, whether due to fraud or errors in providing a basis for the expressed audit 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.
- 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 the 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 the Pradeshiya Sabha 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 includes specific provisions for following requirements.

- As per requirement mentioned in Section 6(1) (d) (iii) of the National Audit Act No. 19 of 2018, the financial statements of the Pradeshiya Sabha is corresponded with financial statements of the previous year.
- The recommendations made by me during the previous year are included in the financial statements as requirement by Section 6 (i) (d) (iv) of the National Audit Act No. 19 of 2018.

## 1.6 Audit Observations on the Preparation of Financial Statements

### 1.6.1 Non-compliances with Sri Lanka Public Sector Accounting Standard for Local Authorities

Non-compliance with the relevant standard	Comments of the Council	Recommendation
(a) Although the budgeted information should be presented in the financial statements for that period in the budget documents prepared in accordance with Sri Lanka Public Sector Accounting Standard 3.7 for Local Authorities, the financial statements of the Pradeshiya Sabha were presented without budgeted information.	Accepted.	Should be act in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.
(b) The comprehensive income statement and the statement of assets and liabilities were not presented with the balancing information relating to the previous comparable period for all values presented in the period as per section 3.6 of the said accounting standard.	Accepted.	Should be act in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

### 1.6.2 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) The value of completed projects as at 31 December of the year under review amounting to Rs. 14,017,410 was not accounted as fixed assets.	Accepted.	Should be entered correct values.
(b) Due to the Bandaragama water refinery building value of Rs. 911,006 was not indicated in the building account, the fixed assets were shown less than that amount.	Accepted.	Should be entered correct values.
(c) Library books worth Rs. 1,751,657 was accounted under stocks in the statement of assets and liabilities.	Accepted.	Value of library books should be entered under stocks.
(d) The balance of receiving for non-recurrent expenses at the beginning of the year under review was Rs. 5,177,520 according to the ledger accounts and the relevant part of the assets for the year had not been identified and adjusted to the income.	Accepted.	Should be entered accurate values.

### 1.6.3 Unreconciled Control Accounts or Reports

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
There was a difference of Rs. 14,989,907 between the balances of 05 accounting subjects indicated in the financial statements and the balances indicated in the schedules.	Accepted.	Differences should be recognized and the correct values should be accounted.

## 1.6 Non-compliances

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

Instances of Non-compliance with Laws, Rules, Regulations and Management Decisions are given below.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the council	Recommendation
Section 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016.	Fuel consumption tests of 04 active vehicles owned by the council were not done.	Action will be taken to do fuel test.	Should be act as per the circular.

## 2. Financial Review

### 2.1 Financial Results

According to the submitted financial statements, the income exceeding the recurrent expenditure of the council for the year ended 31 December 2021 was Rs. 27,545,544 and the correspondence income exceeding the recurrent expenditure of the previous year was Rs. 53,653,628.

### 2.2 Revenue Administration

#### 2.2.1 Performance of the Revenue Collection

Audit Observation -----	Comments of the Council -----	Recommendation -----
(a) <b>Rentals</b>	Accepted.	Action should be taken to recover the rental arrears.
No steps have been taken to collect the arrears of assessment and tax amounting to Rs. 5,683,345 and there was a difference of Rs. 580,872 with corresponding reports.		
(b) <b>Rentals</b>	Accepted.	Action should be taken to recover.
The necessary action had not been taken to recover the rent of Rs. 570,559 by the end of the year under review.		
(c) <b>License Fee</b>		
Trade license revenue of Rs. 173,750 and business tax income of Rs. 219,000 had not been recovered as until 31 December of the year under review.	Action will be taken to recover.	Action should be taken to recover.

### 3. Operational Review

The following are the facts observed regarding the performance of the council's duties of regularizing and controlling the matters of public health, public utility services and public roads and the welfare, convenience and welfare of the people under section 3 of the Pradeshiya Sabha Act.

#### 3.1 Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) According to the North Central Province Local Government Commissioner's letter No. NCP/LG/DE/04/04/2020 dated 28 March 2020, machinery owned by the council should not be rented on loan basis, but Rs. 959,200 should have been received due to the renting of 03 machines on loan basis in the year 2021.	Accepted.	Action should be taken to recover.
(b) The amount of stamp duty amounting to Rs. 424,198 had not been paid and settled to be paid as at 31 December of the year under review and a balance of Rs. 350,378 more than 6 years old was also included in that.	Accepted.	Action should be taken to settle.