

Galnewa Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Galnewa 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 Galnewa 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 to be prepared.

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.

- (a) 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.

- (b) 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
Although the budgeted information in the budget documents should be submitted in the financial statements for that period in accordance with Sri Lanka Public Sector Accounting Standard No. 3.7 for Local Authorities, the financial statements of the Pradeshiya Sabha were submitted without budgeted information.	I will submit the budgeted information in future.	Should be followed the Sri Lanka Public Sector Accounting Standard for Local Authorities.

1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
Donations worth Rs. 10,517,510 and the value of assets purchased and not recorded in the previous year were indicated as the purchasing of fixed assets under the investment activities in the Cash flow Statement.	No comments.	Should be included correct values.

1.7 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
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka 396 (d)	Financial Regulations were not followed regarding 08 post-dated cheques worth Rs. 68,378 which were issued but not presented for payment.	Will be taken to the income.	Action should be taken to the income.

- (b) Paragraph 3.1 of 11 vehicles owned by the Will be act to test Should be act as per
Public council had not been the fuel consumption. the circular.
Administration tested the fuel
Circular No. consumption.
30/2016 dated 29
December 2016.

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. 15,987,213 and the correspondence income exceeding the recurrent expenditure of the previous year was Rs. 8,483,689.

2.2 Revenue Administration

2.2.1 Performance of the Revenue Collection

Observations of the performance of the Revenue Collection in the council are given below.

Audit Observation	Comments of the Council	Recommendation
(a) Rentals		
Rental income worth Rs. 1,420,700 of stalls to be charged as at 31 December 2021 was not recovered.	Arrears of Rs. 298,000 have been recovered by 30.04.2021.	Action should be taken to recover.
(b) License Fee		
(i) Tender tax rent of Rs. 320,267 and business tax of Rs. 91,000 to be charged, which has been unpaid from 02 years, had not been collected.	I will be charged.	Action should be taken to charge.
(ii) Outstanding tube well fee of Rs. 154,600 which were more than 02 years old had not been collected during the year under review and these tube wells also been disposed from use.	Message was sent to the Hon. Governor to cut off the arrears, but no reply has been received.	Action should be taken to charge.
(b) Other Revenue		
Rs. 1,849,143 to be charged from 03 water projects implemented by the Pradeshiya Sabha had not been recovered.	Rs. 430,545 have been charged.	Action should be taken to charge.

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

Audit Observation	Comments of the Council	Recommendation
(a) The disaster loan balance of Rs. 145,000 and the special advance balance of Rs. 4,000 to be charged from a deceased officer from the year 2018 were not recovered during the year under review.	Will be recovered the disaster loan balance in future.	Arrangement should be taken to recover the balance of the deceased officers from the death gratuity.
(b) There was an industry debtor balance of Rs. 21,884,636 as until 31 December of the year under review and a retained in hand balance of Rs. 1,390,207 related to 08 projects older than 02 years was included.	Letters have been sent regarding the collection of retained in hand.	Arrangements should be made to recover the debtor balance.
(c) 10 Fixed assets worth Rs. 2,199,000 in the possession of the council remained unused from long time and remained idle.	I will take action to auction the goods of the rice-milling the concrete mixer and the motor cycle. Without number.	If the assets cannot be used, appropriate disposal should be done.
(d) The amount of Rs. 100,000 received to the council under the Dhamma School development and religious places project aid implemented by the North Central Provincial Cultural Department for the year 2018 was retained in the deposit account for a period of 03 years without completing the relevant work.	I will inform the relevant institution and repay.	Arrangements should be made to implement projects or return funds.
(e) 04 Vehicles worth Rs. 2,463,890 used by the council were not registered.	I will take action to register.	Action should be taken to register.