

## **Kebithigollewa Pradeshiya Sabha - 2021**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Kebithigollewa 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 Kebithigollewa 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 are 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 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Due to the capital expenditure incurred on constructions not owned by the council was indicated under fixed assets as at 31 December of the year under review, the building was overstated by Rs. 1,505,717 in the financial statements.	Accepted.	Assets should be accounted correctly.
(b) The completed culverts and other capital assets in the year of under review were understated by Rs. 1,279,297 and Rs. 3,684,692 respectively in the statement of assets and liabilities.		Should be accounted correctly.
(c) Although the balance of the account of receiving non-recurrent expenditures (Capital grants) account as at 31 December of the year under review was Rs. 45,302,287, it had been overstated by Rs. 52,536,070 as Rs. 7,233,783.		Should be credited the relevant money to the fund of council.
(d) Rs. 1,499,777 had been over accounted for capital expenditure grants recognized in depreciation of fixed assets and deficiency in surplus during the year under review.		Should be disclosed all assets in the financial statements.
(e) The money received from external institutions for 04 projects of Rs. 855,908 implemented from the council in last year was retained in various deposit accounts.		
(f) Library books worth Rs. 1,695,393 owned by Kebithigollewa library were not indicated in the statement of assets and liabilities of the year under review.		

## 1.6.2 Unreconciled Control Accounts or Reports

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
There was a difference of Rs. 26,304,483 between the values stated in the financial statements and the corresponding reports in relation to 04 accounting subjects.	Accepted.	Arrangements should be made to correct the changes in schedules.

## 1.6.3 Lack of Written Evidences for Audit

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
Information required for the audit was not submitted in relation to 03 accounting subjects totaling Rs. 366,486,530.	Accepted.	Evidences should be submitted to confirm the balances indicated in the financial statements.

## 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.

<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the council</b>	<b>Recommendation</b>
(a) Sections 1645 and 1646 of the Financial Regulations	The daily running charts and monthly summaries of 11 vehicles and machines that were used for the purposes of the council's functions and income-generating activities had not been prepared and submitted since the year 2015.	Accepted.	Should be act as per the Financial Regulations.
(b) Section 3.01 of Public Administration Circular No. 30/2016 dated 29 December 2019	Fuel consumption tests of 04 active vehicles owned by the council were not done.	Will be act to do fuel consumption.	Should be act in accordance with the circular provisions.

## 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. 8,156,102 and the correspondence income exceeding the recurrent expenditure of the previous year was Rs. 34,496,972.

## 2.2 Revenue Administration

### 2.2.1 Performance of the Revenue Collection

Audit Observation	Comments of the Council	Recommendation
(a) Rentals		
(i) Necessary arrangements were not made to collect the arrears of Rs. 239,560 to be charged on 31 December of the year under review.	Accepted.	Action should be charge.
(ii) The council had not taken steps to collect the arrears of rent of Rs. 3,995,589 from 15 places that had been given tender leases from 01 to 08 years and the arrears of rent of Rs. 173,250 from 21 temporary shops.		
(iii) Rs. 1,113,621 to be charged as at 31 December of the year under review for the rental of vehicles was not collected.		
(b) License Fee		
(i) The arrears of Rs. 82,800 three-wheeler parking fees to be charged from 26 persons were not collected.	Will be collected the money that could not be recovered due to the covid epidemic situation in the year 2022.	Action should be taken to collect.
(ii) The outstanding water bills of Rs.102,183 and outstanding connection fees with the Yakawewa water project had not been collected.	Arrangements are being made to collect the arrears.	Action should be taken to collect.

## 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 Utilization of Vehicles

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) 04 Vehicles owned by the council with an estimated value of Rs. 12,187,318 have been under repair for more than 05 years, but those vehicles were parked in the council premises without being repaired and used.	Accepted.	These vehicles should be repaired and use.
(b) Revenue licenses were not obtained for the 11 vehicles owned by the council.	Accepted.	Arrangements should be made to obtain revenue license for vehicles.

### **3.2 Inactive or Underutilized Property, Plant and Equipment**

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
11 Types of assets with the value of Rs. 3,768,818 have remained idle since a period of 06 years.	Accepted.	Action should be taken to use the relevant assets.

## **4. Accountability and Good Governance**

### **4.1 Environmental Problems**

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
The solid waste collected in the council area was collected without storing and disposed in a forest area in Kebithigollawa area and burnt.	I will take steps to correct this situation in future.	Steps should be taken to properly dispose of garbage and regularize the production of compost.