

Pottuvil Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Pottuvil Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising the Balance sheet as at 31 December 2021, Income and Expenditure Account, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 Sabha 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 report to 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 Pottuvil 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 Practices.

1.2 Basis for Qualified Opinion

Based on the matters described in paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

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 Sri Lanka Public Sector Accounting Standards, 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 Pradeshiya Sabha's financial reporting process.

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 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

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- (a) The financial statements of the Pradeshiya Sabha presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the preparation of Financial Statements

Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
-----	-----	-----
The total value of 22 roads renovated by the Pothuvil Divisional Secretariat and handed over to the council in the year 2020 was Rs. 2,500,000 and that was not accounted for.	Arrangements will be made for inclusion in the financial statements of the next financial year.	Financial statements should be prepared accurately.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2021 amounted to Rs.14,696,274 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 18,521,596 in the preceding year.

2.2 Revenue Administration

Performance in Revenue Collection

Audit Observation	Comments of the Council	Recommendation
-----	-----	-----
(a) Rent		

(i) The market shop rent arrears as at 31 December 2021 was amounting to Rs.2,896,520, and out of that a sum of Rs. 171,520 from 11 tenants had been for a long period of 10 to 20 years and action had not been taken to recover.	Arrangements will be made to issue waiver orders in the future.	Steps should be taken to recover the revenue immediately.

(ii) Rent receivable from leases given by tenders up to 31 December of the year under review was Rs.7,746,046. Out of which Rs.2,970,577 belonged to a period of 1 to 3 years and the value of Rs.1,666,797 was outstanding for more than 10 years, but no steps were taken to recover it.

Actions are taken to recover outstanding balances and issue waiver orders. - Do -

(b) Stamp Duty

Outstanding stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2021 was Rs.4,801,335.

Actions are currently being taken.

Steps should be taken to recover the revenue immediately.

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

3.1 Idle Assets

Audit Observation

The Council had not taken action regarding the balances of 02 bank current accounts amounting to Rs.864,696 to invest in the sources of income generation, which have been idle for more than 05 years.

Comments of the Council

Actions will be taken to invest in future revenue generating sources.

Recommendation

Actions should be taken to invest in income generating sources.

3.2 Management Inefficiencies

Audit Observation

The value of 264 lands and buildings and 43 vehicles owned and used by the council had not been assessed and accounted for and no action had been taken to assess them even at the end of the year under review.

Comments of the Council

Action will be taken to value in the near future.

Recommendation

Asset valuation and accounting should be expedited.

3.3 Deficiencies in contract administration

Audit Observation	Comments of the Council	Recommendation
(a) A financial provision of Rs.3,950,000 was made in the year under review for the renovation and maintenance of the drain system in the area of the Sabha, of which only Rs.1,438,976 was spent by the Sabha and 06 drains were not covered. Further, according to the complaints received by the council, 15 drains were not cleaned. Due to this, during the rainy season, the roads connected to the drains were unable to be used by the people.	According to the complaints, steps will be taken to repair the drains this year.	Steps should be taken to fully utilize the financial allocations.
(b) Agreements for contract amount of Rs.311,084 were signed on 01 June 2021, for the renovation of the reading center located in 16 of Pothuvil, but the related works were abandoned without starting.	The relevant work was stopped midway without starting within the stipulated period.	Actions should be taken to initiate and complete the works within the stipulated time.