

## Agarapathana Pradeshiya Sabha - 2021

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### 1. Financial Statements

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#### 1.1 Qualified Opinion

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The audit of the financial statements of the Agarapathana Pradeshiya Sabha for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2021 and the income and expenditure account including a summary of 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 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Agarapathana Pradeshiya Sabha as at 31 December 2021, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

#### 1.2 Basis for Qualified Opinion

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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 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

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Practices, 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 Sub-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)

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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 identify and assess the risks of material misstatement in 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 was obtained 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

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

- The financial statements of the Walapane Pradeshiya Sabha are in consistence with that of the previous year as required by Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- The recommendations made by me during the previous year are included in the financial statements presented as required 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

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### 1.6.1 Accounting Deficiencies

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	<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
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(a)	Although trial balance as at 31 December of the year under review should be prepared stating balances of all transactions and incidents occur in an institution within the year and the balances of assets and liabilities, Sabha had prepared the trial balance including the balances of assets and liabilities alone.	Shortcomings are accepted. It has been informed that action will be taken to correctly prepare the trial balance from this year.	Trial balance should be prepared correctly.
(b)	Although the balance of furniture and fittings as at 31 December of the year under review was Rs. 2,470,399, value of 45 units included in 14 items of assets specified in the financial statements had not been identified and brought to account.	Shortcomings are accepted. It has been informed that action will be taken to identify furniture and fittings and include them in accounts in the future.	Value of assets should be identified and brought to account.
(d)	The value of the Ayurvedic stock issued to the Norwood Pradeshiya Sabha in the year 2018 amounting to Rs. 240,000 had not been recovered and it had not been included as a receivable amount in the financial statements.	It has been informed that action will be taken to recover the amount in the future.	Receivables should be recovered and they should be included in the financial statements.

(d)	There were understatements totalling Rs. 5,009,672 on two occasions including Rs. 4,514,359 as assets and Rs. 495,313 as liabilities, and overstatements totalling Rs. 213,431 on 04 occasions including Rs.77,800 as income, Rs. 24,138 as expenditure and Rs. 111,493 as liabilities in the financial statements.	It has been informed that the above error will be corrected in the preparation of financial statements for the year 2022.	Financial statements should be prepared correctly.
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1.6.2 Non-reconciled Control Accounts or Reports

**Audit Observation**

**Comment of the Sabha**

**Recommendation**

According to the balance sheet prepared as at 31 December of the year under review and the relevant schedules, there was a difference of Rs. 808,863 of 04 items of account .

It has been informed that the shortcomings are accepted.

The differences of the accounts balances should be looked into and accordingly, relevant schedules or financial statements should be prepared.

**2. Financial Review**

**2.1 Financial Result**

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 3,579,585 as at 31 December 2021 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 6,099.

**2.2 Revenue Administration**

**2.2.1 Performance in Collecting Revenue**

The observations on the performance of the Sabha in collecting revenue are as follows.

**Audit Observation**

**Comment of the Sabha**

**Recommendation**

(a) Rates and Taxes

In terms of Section 158 (1) of the Pradeshiya Sabha Act, although a list of properties that remain outstanding at the end of second quarter should be prepared and notification should be made to pay the tax within 14 days, Rates of Rs. 1,191,230 had not been

It has been informed that arrangements have been made to send the notifications of property prohibition to the owners of the properties for not paying the Rates.

Arrears of revenue should be recovered.

recovered as at 31 December of the year under review from 19 Pradesiya Sabhas that had not followed the above requirement.

### 3. Operating Review

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The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act, being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

#### 3.1 Assets Management

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Audit Observation	Comment of the Sabha	Recommendation
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(a) The front area of the land where the Meraya Ayurvedic Centre and the library is situated had been encroached by an external parties and due to lack of officers, the library was unable to open until 31 December of the year under review. Since two rooms of the library building had been used for the requirements of the Ayurvedic medical practitioner and the Public Health Inspector, the residents in the area had not been received the services to be provided by the public library. Further, a large stock of books and equipment of the library remained idle without being used.	It has been informed that action will be taken to survey the relevant land, identify the area owned by the Sabha and prepare the declaration deeds as soon as possible, and thereafter, if unauthorized acquisitions have been done by external parties on the relevant property, proper legal action will be taken.	Deeds should be prepared for the assets owned by the Sabha and measures should be taken to protect the properties of the Council. Similarly, the library and Ayurvedic centre should be maintained.

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| (b) | The Toyota Land Cruiser that had met with an accident on 05 September 2020 remained without repairing and nearly 01 year 03 months had passed 31 by January 2022, the date of audit. That vehicle had been sent to a private garage for repairs and having used a rented vehicle for the travels of the Chairman, rent of Rs.1,456,000 had been paid in the year under review. | It has been informed that action was taken to call for an estimate to repair the vehicle. | Action should be taken to repair the vehicle without delay. |
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4. Accountability and Good Governance

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4.1 Environmental Issues

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Audit Observation

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Even though 05 years had elapsed since the establishment of the Sabha, measures had not been taken to select a suitable land for disposal of garbage and 104 metric tons of degradable garbage had been carried to the waste yard of Talawakele Urban Council in the year 2021. Similarly, 02 tons of non-degradable garbage had been used to land filling. A sum of Rs.5,606,746 had been spent as salaries and overtime for 07 employees for waste management and Rs.229,100 had been spent as fuel and repair costs for the tractor that used transported the waste.

Comment of the Sabha

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It has been informed that it is expected to obtain a suitable waste yard permanently for the local government institute in the future, and thereafter, action will be taken to collect and dispose of garbage according to a proper programme and plan.

Recommendation

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Waste management should be carried out properly.