

Ambalanthota Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ambalanthota Pradeshiya Sabha for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2021 and the income and expenditure account, and notes to the financial statements, 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Ambalanthota 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

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

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)

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

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

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

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
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(a) The Court Fines receivable as at 31 December of the year under review had been overstated by Rs.3,052,538.	Action would be taken to settle by the final accounts for the year 2022.	The revenue should be accurately stated and actions would be taken according to the circulars.
(b) According to the Stamp Duty Reversal Ordinance No.04 of 1994 of the Southern Province the Stamp Duty lapsed over 02 years and not received for the Sabha regarding the preceding years of Rs.1,757,505 had been overstated as Stamp Duty receivable.	Action would be taken to settle by the final accounts for the year 2022.	The revenue should be accurately stated and actions would be taken according to the circulars.
(c) The amount payable of Rs.1,680,918 for the last 03 quarters of the year under review for the Loan obtained by the Sabha from the Local Loans Development Fund had been stated under the Non-current Liabilities except for Current Liabilities.	Action would be taken to settle by the final accounts for the year 2022.	The responsibilities should be accurately recognized and stated on the balance sheet.
(d) The Vehicle Consumption Stock and the Consumption Stock had been understated respectively Rs.41,751 and Rs.161,274 and totally as Rs.203,025 as at 31 of the year under review.	Actions would be taken to settle the difference in the stock.	The stock should be accurately accounted.

- (e) The Capital Expenditure of Rs.105,000 spent on Hume Pipes in the year under review had been stated as recurrent expenditure. Actions would be taken to settle in the future. Expenditure should be accurately stated.

1.6.2 Unreconciled Control Accounts

Audit Observation

The balance of rates and taxes according to the financial statements had been Rs.4,512,108 and the balance according to the statement of rates and taxes had been Rs.4,323,710 therefore a difference of Rs.188,398 had been remained.

Comment of the Sabha

Actions would be taken to settle.

Recommendation

The differences of the relevant balances should be reconciled and corrected.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha amounted to Rs. 2,412,189 for the year ended on 31 December of the year under review as compared with the corresponding the revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 4,402,157.

2.2 Revenue Administration

2.2.1 Performance in Collection of Revenue

Audit Observation

(a) Rates and Taxes

Action had not been taken to recover receivable rates and taxes regarding 3687 units of Rs.3,350,438 and an amount of Rs.403,402 out of the deficit had been receivable from government institutions.

Comment of the Sabha

Actions would be taken to recover the rest of the arrears according to the authority received by the Pradeshhiya Sabha Act.

Recommendation

The Arrears rates and taxes should be recovered as soon as possible.

(b) Other Income

A Water Park Garden developed by Rs.13 Million at Nonagama had not been taken actions to call for the tenders to lease out and it had been granted the permission to a private third party for hiring boat service under the basis of paying a commission to the Sabha. Also the management had let the private party

Percentage of the Entertainment Tax would be raised to 20 per cent from the year 2022 by this premises and actions would be taken to lease this place out by calling for tenders.

Actions should be taken to collect the revenue from the property owned by the Sabha.

to take an income of Rs.801,450 after the payment of 10 per cent commission out of an income of Rs.890,500 earned without any expenditure therefore Sabha had been lost an income recoverable.

3. Operating Review

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 Uneconomic Transactions

Audit Observation	Comment of the Sabha	Recommendation
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Sabha had been given Rs.910,550 by the Sabha Fund to make 24000 medicine kits to Ranna Ayurvedic Medical Centre on 16 June 2021 in the aim of raising the public immunity within the authority of Sabha after that the institute had given 4541 packets to the Sabha and the rest of the 19459 packets had not been received by the Sabha therefore the expected aim had not been accomplished.	Inform that Ranna Medical Centre had sent 4541 medicine packets and they had been informed to send the rest 19459 medicine packets as soon as possible.	The immunity raising medicine packets should be distributed as soon as possible.

3.2 Operational Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
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40 mobile trade stalls had been built in the year under review by spending Rs.9,948,000 but actions had not been taken to distribute by identifying the beneficiaries.	The beneficiaries had been recognized to distribute the mobile trade stalls and actions would be taken to distribute the mobile trade stalls.	Actions should be taken to identify the beneficiaries and distribute the mobile trade stalls.

3.3 Deficiencies in Contract Administration

----- Audit Observation -----	----- Comment of the Sabha -----	----- Recommendation -----
Rs.382,156 had been incurred in the payment report as it had used imported timber for the roofs of the 02 industries to construct the toilets in Bolana Pre-School and the Batuatha Pre-School but the timber used for the roofs had not been imported.	The Constructor had been advised to make that deficiency correct and if not actions would be taken to pay after deducting the whole payment for the 50 * 50 mm timber used in the roofs.	The timber with the necessary standard according to the Contract Agreement should be used.