

Poonakary Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Poonakary 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 SubSection 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 Poonakary Pradeshiya Sabha as at 31 December 2021, and of its financial performance for the year then ended in accordance with Generally accepted Accounting Principles.

1.2 **Basis for Qualified Opinion**

My opinion is qualified 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 Principles, 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (i) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 1.6.1 Accounting Policies

Audit Observation

Comment of the Council

Recommendation

The accounting policies adopted for the preparation of the financial statements were not disclosed in the financial statements.

The accounting policies to be followed will be disclosed in future.

The accounting policies followed for the preparation of financial statements should be disclosed with the financial statements.

1.6.2 Accounting Deficiencies

Audit Observation

Comment of the Council

Recommendation

- (a) The Recurring expenses for new tyres, tubes and batteries for vehicles were treated as capital expenses and a vehicle not owned by the council had been shown as non-current asset, so the government's contribution to capital expenses and the value of fixed assets were overstated by Rs.1,927,620 each.

The Steps have been taken to avoid the error of accounting as recurring expenses and capital expenses. Arrangements will be made to take over the vehicles of the council in the name of the council

Accounts should be prepared in accordance with accounting principles and policies.

- (b) The value of 19 vehicles in the name of the council had not been assessed and accounted. The value of those assets will be assessed and accounted for this year. - do -

1.6.3 Lack of documentary evidences for audit

Audit Observation	Comment of the Council	Recommendation
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Non-current assets totaling Rs. 656,240 and fixed asset documents and goods survey reports for the assets received under the Puranaguma program had not been submitted to the audit.	The Steps have been taken to maintain fixed asset registers and goods registers. This error will be corrected in the coming year.	Evidence required for audit should be submitted.

1.7 Non compliances

1.7.1 Non compliances with laws rules and regulations

Reference to laws rules regulations.	Non compliance	Comment of the Council	Recommendation
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Northern Provincial Council Financial Rules 136	Contrary to the Rules without formal approval Rs. 2,151,719 payments had been made.	By mistake the Chairman had not signed. This mistakes has been corrected now. As per Financial Rule 136, the approval of the Sabha has been obtained.	The activities should be done in accordance with the Rules and regulations

2. Financial review

2.1 Financial Review

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. 10,928,969 as compared with excess of revenue over recurrent expenditure amounted to Rs. 10,330,294 in the preceding year.

2.2 Revenue administration

2.2.1 performance of Revenue collection

Audit Observation	Comment of the Council	Recommendation
(a) The council had not taken steps to assess the property values in the council area and collect the assessment tax.	The Property tax collection will be done in the near future.	Efforts should be made to collect revenue immediately.
(b) The Steps had not been taken to recover the arrears of rent and taxes amounting to Rs.600,920 between the years 02 and 08.	Referred for conciliation board action to recover arrears of rent.	- do -

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 Operational Inefficiencies

Audit Observation	Comment of the Council	Recommendation
(a) 12 buildings aggregated value of Rs. 27,665,646 of the council remained idle for more than 04 years.	Steps will be taken to utilize those assets.	The action should be taken to utilized those Buildings efficiently.
(b) The council had not taken over the ownership of 53 lands with an area of 6,831 hectares in land and buildings with a total value of Rs.121,928,305 in the financial statements.	The Steps will be taken to transfer the ownership of the lands belonging to the council to the council.	Arrangements should be made to take over the legal rights of the properties belonging to the council.

- (c) The deposits amount of Rs.74,628 belonging to 10 transferred officers had not been released and the deposit amount of Rs.90,000 was not collected from 06 officers who were supposed to keep deposit. Could not be released as demand letters were not received. The officials have been asked to keep the employee's deposits. Release and keeping of deposits should be done promptly.