

Vavuniya South Tamil Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Vavuniya South Tamil Pradeshiya Sabha including the Financial statements for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2020, 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 Vavuniya South Tamil 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 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 Accounting Policies

Audit Observation	Comment of the Council	Recommendation
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Although in the financial statements disclosed that the accounts were prepared in accordance with Sri Lanka Public Sector Accounting Standards, the financial statements had been prepared and presented in accordance with Generally Accepted Accounting practices.	Accounting policies will be included in the final financial statements in the future.	Until the Sri Lankan Public Sector Accounting Policies on Local Government come into effect, the financial statements should be prepared in accordance with Generally Accepted Accounting Principles.

1.6.2 Accounting defficiencies

Audit Observation	Comment of the Council	Recommendation
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(a) The unimplemented project valued at Rs. 246,797 had been taken in to accounts therefore the asset and current liabilities had been overstated by that amount.	Due to inflation, the work could not be executed within the stipulated time frame. At present, the relevant work is being done.	Financial statements should be prepared in accordance with accounting principles and policies.

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| (b) | As the value of 04 vehicles valued at Rs.11,200,000 was not included in the financial statements and the value of another 21 vehicles was not assessed and accounted therefore the Government Contribution to Assets and capital for the year had been understated. | A valuation committee has been established to assess the value of the vehicles and steps have been taken to calculate the values and include them in the financial statements. | - do - |
| (c) | The cost of 03 roads constructed in the year under review amounting to Rs.1,457,810 had not been disclosed in the financial statements. | Will be included in the final financial statements in the year 2022. | - do - |

1.6.3 Lack of documentary evidence for audit

Audit Observation	Comment of the Council	Recommendation
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According to the financial statements, the land deeds, valuation certificates and land title of the assets with a total value of Rs.1,794,960 had not submitted for audit.	The approval for write-off had been sent for and follow-up action for the dispose is in progress.	The relevant information should be submitted to the audit.

1.5 Non compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management decisions

Non-compliance with Laws, Rules, Regulations and Management decisions are as follows.

Audit Observation	Comment of the Council	Recommendation
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In contravention of Financial Regulation 371(5) of the Democratic Socialist Republic of Sri Lanka, the action had not been taken to recover the advances of Rs.86,538 more than 03 years old..	Advance paid in respect of "Kalnattinakulam" tourist center land remains unsettled as such.	The money have to be recovered should be collected as per Financial Regulations.

2. Financial Review

2.1 Financial Result

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. 16,232,657 as compared with excess of revenue over recurrent expenditure amounted to Rs. 18,328,668 in the preceding year.

2.2 Performance of Revenue Collection

Audit Observation	Comment of the Council	Recommendation
(a) During the past 02 to 07 years, the council had not taken action to collect the arrears of assessment and property tax amounting to Rs.2,323,282. Also, the correct value of property tax levies and outstanding balances could not be ascertained due to non-revaluation of properties for more than 10 years.	A new officer has been appointed to collect revenue from this year.	The arrears of income should be collected immediately.
(b) More than 02 years old arrears of shop room rent of Rs.90,266 was not recovered. Also, due to non-rent or lease of 05 shop rooms between years 01 and 07, the council had lost of income of Rs. 4,693,990 .	The arrears are settled through contract security deposits, bid deposits etc. Also, bids were invited twice for rent or lease, however no one came forward.	- do -
(c) Rs. 381,548 were not charged for old arrears of vehicles rent between 02 and 10 years.	The action will be taken to get Legal proceeds.	- do -

3. Operating in efficiencies

Audit Observation

**Comment of the
Council**

Recommendation

Even though more than a year had passed, steps were not taken in accordance with Article 4 of Section XXIV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka to recover the outstanding debt balance of Rs.151,887 from a dismissed officer.

Actions have been taken to recover from the guarantors.

The arrears of loan should be recovered promptly.