

Ganga Ihala Korale Pradeshiya Sabha – 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ganga Ihala Korale Pradeshiya Sabha including the financial statements for the year ended 31st December 2021 comprising the Statement of financial position as at 31st December 2021, Statement of Financial Operations 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 financial statements give a true and fair view of the financial position of the Ganga Ihala Korale Pradeshiya Sabha as at 31stDecember 2021 and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified Opinion

I expressed qualified opinion 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 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

1.6.1 Comments on the Financial statements

Audit Observation	Comments of the Sabha	Recommendation
(a) In relation to 03 Projects a debtor balance of Rs.275,656 and a creditor balance of Rs.275,656 had been overstated in the financial statements	That action will be taken to correct in the financial statements 2022.	Project debtors and creditor balances should be accurately accounted for
(b) During the year under review, the expenditure of Rs.1,897,772 incurred for the development of the Asupini Falls Tourist Rresort was not shown in the financial statements.	Action will be taken to capitalize the expenditure for the Asupini Ella Tourist Resort in the year 2022, and disclose in an account summary of,	Capital expenditure should be accurately identified and accounted for.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
The total value of land and buildings of Rs.103,520,727 shown in the financial statements could not be satisfactorily verified in the audit due to non-submission of formal transfer deeds.	In the future, survey, acquisition and reminder letters will be sent for the lands and buildings indicated in the audit.	Documents to confirm the ownership and value of the land and buildings should be maintained.

1.7 Non- Compliances

Non-compliance with Laws, Rules and Regulations etc...

Followings are the instances where laws, rules and regulations were not complied with.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Financial regulations had not been complied with in relating to lapse retention deposits valued at Rs.2,825,740	That the necessary arrangements have been made to credit the income of the council	Financial regulations should be followed.

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 31stDecember 2021 amounted to Rs.25,703,146as compared with the excess of revenue over recurrent expenditure amounted to Rs.20,412,517in the preceding year.

2.2 Revenue Administration

Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Council are given below.

Audit Observation	Comments of the Sabha	Recommendation
(a) Rates	Due to the corona epidemic, the collection of arrears was delayed, but in the future it will be done according to the plan.	Assessment tax in arrears should be recovered.

(b) Rent

As of the last day of the year under review, Rs.1,418,872 of shop rent due from 48 lessees had not been collected, and the balance included Rs.1,378,989 due from 29 lessees whose arrears per unit exceeded Rs.5,000.

After solving the issue related to land ownership, the money will be collected.

Necessary action should be taken to recover shop rent in arrears.

(c) Other income

Three wheeler licence fees

At the end of the year under review, outstanding three-wheeler license fees of Rs.970,400 due from 88 members were not collected, and the balance included Rs.778,500 due from 53 members of which arrears exceeded Rs.10,000.

It will be collected immediately.

Action should be taken to collect outstanding three-wheeler license fees

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 03 of the Pradeshiya Sabha Act are shown below.

3.1 **Identified Losses**

Audit Observation

Although the monetary regulation investigations related to 04 incidents have been completed and the final reports have been given by March 2020, the damages amounting to Rs.1,559,795 have not been indemnified.

Comments of the Sabha

That action will be taken to sue for damages, compensate the money and collect the balance in the future.

Recommendation

The responsible parties should identify and indemnify