

Pasbage Korale Pradeshiya Sabha – 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Pasbage 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 Pasbage Korale pradeshiya Sabha as at 31st 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

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 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
-----	-----	-----
(a) Since,an amount of Rs.2,002,117 was accounted as expenses payable to the supplier at the end of the year under review even without placing orders and receipt of goods; the expenses and creditor balance for the year had been overstated in the financial statements.	Action will be taken to Order and receive the goods	Expenses should be accurately identified and accounted for
(b) At the end of the year under review the capital expenditure and creditor balance was overstated by Rs.2,010,000 in the financial statements.	As the prices are called, It had been recorded as creditors	Capital expenditure should be properly accounted for
(c) At the end of the year under review, the expenditure incurred for the renovation of the office building had been overstated by Rs.709,610 in the financial statements.	That, it will be corrected by the account of the year 2022	Building development costs during the year should be accurately identified and accounted for
(d) At the end of the year under review, the value of the Kalugalhinna Water Scheme had been understated by Rs.3,000,000.	That, it will be corrected by the account of the year 2022	Accurate value should be accounted for.

1.6.2 **Documentary Evidences not made available for Audit**

Audit Observation	Comments of the Sabha	Recommendation
The miscellaneous deposit balance of Rs.271,307 shown in the financial statements could not be satisfactorily verified during the audit as the related schedules had not been submitted for audit.	Action will be taken to check further and report progress.	Necessary documentary evidence should be maintained to prove the balance

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 31st December 2021 amounted to Rs.14,750,304 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 3,750,628 in 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 and taxes		
At the end of the year under review, assessment tax amounting to Rs.980,293 had not been collected, and in that balance, Rs.407,312 due from 115 properties of which the arrears per unit more than 1,000 for more than 05 years, There was Rs.66,807 due in respect of 75 properties whose owner was not identified were included.	That a portion has been charged by 31 st May 2022 and the outstanding balance will be charged in future.	Assessment tax in arrears should be recovered.
(b) Water charges		
Water charges of Rs.1,365,566, which have been outstanding for more than 03 years, have not been collected from 180 customers of 17 water projects owned by the Sabha.	Part of the arrears had been recovered.	Water charges in arrears should be recovered.

(c) Three wheeler license fees

 As on December 31st of the year under review, outstanding three-wheeler license fees amounting to Rs.481,900 had not been charged, and that balance included Rs.320,000 due for more than 05 years in respect of 38 three-wheelers.

That a survey will be conducted and the arrears will be collected.

Three wheeler license fees in arrears should be recovered.

(d) Ground rent

 In the lease of 18 plots of Silva's lands owned by the council, the agreements were not signed based on the new assessment of 2018, and the arrears of land rent of Rs.107,845 due in relation to these plots were not collected.

At present, a portion has been collected.

Arrangements should be made to agreement on the basis of the new assessment and collect arrears of ground rent

(e) Advertising board charges

 At the end of the year under review, an amount of Rs. 285,743 due in relation to 15 advertising boards installed in the area of authority had not been collected.

A part has been recovered at present.

advertising board revenue should be collected.

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

Comments of the Sabha

Recommendation

- (a) In the year 2014, in the construction of the playground in Tiboronwa belonging to the Brohill estate by utilizing the allocation of Rs.468,780 received from the Ministry of Sports, the sabha was named as the defendant since the ownership of the land had not been confirmed correctly in the case filed in the Colombo District Court, court fees of Rs.818,500 had been paid from the sabha fund from the year 2014 to the last date of the reviewed year, but the proceedings were not over.

 As the plaintiff in the case named several parties including the council as defendants, That the council had to plead for the case

 Ownership of land should be confirmed and Development work should be commenced.

(b) Non-collection of money due to the Council

 During the years 1998, 1999 and 2000 of the Sabha, the financial fraud committed by the officer who served as Secretary amounting to Rs.762,322 and the employee loan amount of Rs.32,227 taken by him together with the total amount of Rs.794,549 had not been recovered at the end of the year under review.

preliminary investigation is being conducted as per Financial regulation 104(3)

Relevant investigations should be conducted and the defrauded money should be recovered

3.2 **Operational Inefficiencies**-----
Audit Observation

 Out of a total of 1,778 water meters installed in 10 water schemes owned by the Sabha, 424 water meters were reported to be out of order, but no action was taken to correct them, and a fixed monthly fee was charged from those customers.

Comments of the Sabha

 That inactive meters will be restored and meter reading will be recorded and money will be charged accordingly

Recommendation

 Water meters should be installed correctly and water charges should be charged according to usage.