

Kolonna Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The Audit of the financial statements of the Kolonna Pradeshiya Sabha for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial operations, Cash flow statement for the year then ended including a summary of significant accounting policies and other explanatory information 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 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 published 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 Kolonna 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 the 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 as management determine is necessary to enable the preparation of the financial statements that are free from material misstatements, 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 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 misstatements, 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 a part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also,

- Appropriate audit procedures were designed and performed identify and asses the risks of material misstatements in financial statements whether due to fraud or error 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 an 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 procedure 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 discourses, 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 compiled 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 the following requirements.

- a) The financial statements of the Pradeshiya Sabha are in consistence with that of the previous year as required by 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 required by Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018.

1.6 Audit Observations on the Preparation of Financial Statements

Unreconciled Control Accounts or Reports

Audit Observation	Comments of the Council	Recommendation
A difference of Rs. 2,429,192 was observed between the balance as per the financial statement as at the end of the year under review relating to 02 items of accounts and the balance as per the subsidiary register.	It has been informed that, it will be correctly presented in preparing the account for the year 2022.	The values of the balances shown in the financial statements should be reconciled with the respective subsidiary registers.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2021 amounted to Rs. 3,730,845 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.4,374,606.

2.2 Revenue Administration

Performance in Collection of Revenue

Audit Observation	Comments of the Council	Recommendation
Other Revenue		
Due to the water meters being non-functioning relating to 150 consumers of	It has been informed that, Rs. 151,200 will be deducted from the outstanding amount and	The relevant services should be provided properly and the

the 04 water projects by the end of the year under review, the fee charged for the inactive meters and Rs. 15,100 is charged as connection fee from water consumers while providing new water connection but a fixed charge of Rs. 200 had only been charged monthly and as such the outstanding balance of water charges to be collected from 227 water consumers was Rs. 417,282.

the amount related to the year under review will be recovered.

relevant revenue should be collected in time.

3. Accountability and Good Governance

Environmental Problems

Audit Observation	Comments of the Council	Recommendation
(a) Under the solid waste Management program the compost yard had been constructed by incurring Rs. 5,467,713 and had been handed over to the Sabha on 19 August 2020. While the necessary machineries for the compost yard had been purchased on 13 December 2021 by incurring Rs. 2,145,000 on but had remained idle. Accordingly, the expenditure of Rs. 7,612,713 had been incurred for the solid waste Management program but the Sabha had failed to commence the activities of the compost producing project due to not being able to provide three pace electricity even by 26 March 2022 the date of audit.	It has been informed that, the purchases of building facilities and machinery in the compost yard had been made and the required requests has been made to solve the problem in the site and to widen the access road and the requests has been made to increase the staff.	A proper waste management program should be planned and implemented.

(b) A cost of Rs. 2,223,566 and a cost of Rs. 287,293 had been incurred for 06 employees and 02 vehicles respectively to dispose about 180 metric tons of solid waste within the authoritative area of the Sabha during the year under review.

It has been informed that, since the work of the compost yard had been started to dispose of the collected garbage of the authoritative area in an environment friendly methodology, action will be taken to streamline its work by achieving its basic needs.

A proper waste Management program should be planned and implemented.