

Dehiowita Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Dehiowita Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising the Statement of financial position as at 31 December 2021 Statement of Financial performance, 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 Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and the Provision 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 Dehiowita 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 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.

- 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.
- 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

Accounting Deficiencies

	Audit Observation	Comments of the Council	Recommendation
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(a)	According to the fixed assets register, though the value of garbage carts was Rs. 83,500 and due to the showing it as Rs.194,800 in the account, The motor vehicle and carts account and income contribution to capital account have been overstated by Rs.111,300.	It was informed that the value of the garbage carts will be assessed and the correct balance will be adjusted in the final account of the year 2022.	Accounts should be rectified.
(b)	Though JCB machine was valued of Rs 5,500,000 on date of 11th June 2020 and due to showing its value as Rs.9,000,000 under machinery and equipment. The machinery account and the income contribution to capital account have been overstated by Rs.3,500,000.	It was informed that adjustments will be made from the final account of the year 2022.	Accounts should be rectified.

- (c) The cumulative amount paid for the expenditure in the year 2022 of Rs.299,125 for the year under review, that provision for creditors has not been made.
- It was informed that Accounts should be rectified. adjustments will be made from the final account of the year 2022.

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 6,398,846 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 1,340,388 in the preceding year.

2.2 Revenue Administration

Performance in Revenue Collection

Audit Observation

Rent

The receivable due rent were Rs 5,157,841 from 11 public market shops, 09 meat and fish shops, weekly fare and other shops at the end of the year under review, and from this Rs. 2,239,409 was rent arrears for the year under review, and the balance Rs. 298,432 was pertaining to the previous years.

Comments of the Council

That the letters have been forwarded to shop owners by giving 14 days and 07 days and informed that shops will be got transferred if the payment was not made by the end 07 days.

Recommendation

Actions should be done to recover the due rent.

3. Accountability and Good Governance

Environmental Observations

Audit Observation -----	Comments of the Council -----	Recommendation -----
About 1413 tons of garbage had been collected during the year, and Thus, 57,665 kg of fertilizer has been produced and 50,460 kg of fertilizer was sold and an income of Rs.504,600 was obtained. The recurrent expenditure incurred during the year under review for solid waste management was Rs.6,512,385. Though Rs. 1,783,058 worth of waste tank has been built without feasibility study for waste management centre, but it is not functioning properly and the amount paid of Rs.399,827 for it was an idle expenditure.	It was also informed that Even though a test report regarding the quality of water was not received, Since the relevant refinery function was being worked at the time of payment, an amount of Rs. 399,827 was paid only for the building.	Action should be done to make the construction effective.