

## **Dodangoda Pradeshiya Sabha – 2020**

---

### **1. Financial Statements**

---

#### **1.1 Qualified Opinion**

---

The audit of the financial statements of the Dodangoda Pradeshiya Sabha for the year ended 31 December 2020 comprising the balance sheet as at 31 December 2020 and the income and expenditure account, and notes to the financial statements, including a summary of significant accounting policies, 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 Sabhas 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 presented 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 Dodangoda Pradeshiya Sabha as at 31 December 2020, and of its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities

#### **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 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 Sri Lanka Public Sector Accounting Standards, 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 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 and 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 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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors 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 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 procedures 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 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 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 following requirements.

- (a) The financial statements of the Pradeshiya Sabha are in consistence with that of the previous year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- (b) The financial statements of the Pradeshiya Sabha are in consistence with that of 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 Non-Compliance with the Public Sector Accounting Standards for the Local Authorities

-----

<b>Non- Compliance with reference to the relevant Standard</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
-----	-----	-----
Even though the value of the Non-current Investments had been Rs.29,651,965 when preparing the Cash Flow Statement of the Financial Statements at the end of the year under review according to the Section 3.26 of the Public Sector Accounting Standards of Sri Lanka 2017 it had been overstated by Rs.7,189,044 as it had been stated Rs.22,462,921 in the Cash Flow Statement.	Actions would be taken to correct it in the future.	Actions should be taken to account it accurately.

### 1.6.2 Accounting Deficiencies

-----

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
-----	-----	-----
(a) The Cost had not been assessed and stated of 55 land allotments for the year under review.	12 Land allotments had been settled. Actions would be taken to settle the rest in the future.	Actions should be taken to account it accurately.
(b) Work in Progress of Rs.39,357,018 had been stated under the Property and Plant except for stating it under the Capital Expenditure	Actions would be taken to correct them in the future.	Actions should be taken to account it accurately.
(c) Capital Expenditure for the year under review of Rs.1,003,000 had been stated under the recurrent expenditure.	Actions would be taken to correct them in the future.	Actions should be taken to account it accurately.

- |     |   |   |   |
|-----|---|---|---|
| (d) | 02 Ladders purchased for Rs.115,300 during the year under review had not been stated under the Fixed Assets for the year under review therefore it had been understated by Rs.115,300 | Actions would be taken to correct them in the future. | Actions should be taken to account it accurately. |
| (e) | The implementation of the Solar Power System by Rs.2,620,000 for the year under review for the Pradeshiya Sabha Building had not been stated under the Fix Assets.                    | Actions would be taken to correct them in the future. | Actions should be taken to account it accurately. |

## 2. Financial Review

-----

### 2.1 Financial Results

-----

According to the financial statements presented revenue exceeding the recurrent expenditure of the Sabha amounted to Rs.52,763,775 for the year ended on 31 December 2020 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.20,531,261.

### 2.2 Revenue Administration

-----

#### 2.2.1 Performance in Collecting Revenue

-----

#### Audit Observation

-----

The amount of Court Fines Rs.8,521,656 and Stamp Duty of Rs.44,807,998 had been receivable from the Chief Secretary and the other officials of the Provincial Council.

#### Comment of the Sabha

-----

**Action would be taken to recover the arrears.**

#### Recommendation

-----

Actions should be taken to recover the receivable income.

## 3. Operating Review

-----

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act, being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

### 3.1 Deficiencies in Contract Administration

-----

Audit Observation	Comment of the Sabha	Recommendation
-----	-----	-----
(a.) When making the payments for the Work Item No.BO-313 of the Roads Payments Register under the Provisions of the Sappiri Gamak Project in the year 2020 and the Provisions specified for the Provinces it had been mentioned in the Work Description as Rs.2,400 to supply one cubic meter of 37.5 mm Block Stones, the contractor had been overpaid Rs.1,222,111 because of entering it as Rs.3,134 as in the Bill of Quantity.	Actions would be taken to deduct the amount overpaid of Rs.1,222,111 when receiving the retention amount.	Actions should be taken to deduct by cash.
(b.) The Backhoe Loader should be used for one hour according to the estimates prepared for the construction of the basements of the roads and the final payments report under the roads payment register of the BO-115. But it had been overpaid Rs.404,465 on 67 Projects because of exceeding the estimated time for using the Backhoe Loader when preparing the estimates and payments.	Actions would be taken to read the meter of the Backhoe loader at the commencement and the end.	The payments should not exceed the estimates.