

Damana Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Damana Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising Statement of financial position as at 31 December 2021, Statement of Financial Operations, Statement of changes in net assets, 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 the provisions of the National Audit Act No. 19 of 2018 and the Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987. 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 accompanying financial statements give a true and fair view of the financial position of the Damana 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

My opinion is qualified 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 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 and Regulatory Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the 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 recommendations made by me in the previous year as per the requirement of Section 06 (1) d (iv) of the Audit Act No. 19 of 2018.

1.6 Audit Observations on the preparation of Financial Statements

Accounting Deficiencies

Audit Observation	Comment of the Council	Recommendation
(a) In the year under review, 04 constructions worth Rs.1,709,888 completed and assigned to the council under Provincial Special Development Grant (PSDG) and Criterion Based Development Grant (CDG) programs had not been capitalized.	These projects have been capitalized on 31 May 2022.	Financial statements should be prepared accurately.
(b) The sum of Rs.87,942 dues from 02 institutions for telephone communication towers had not been accounted in the year under review and action had not been taken to assess them even at the end of the year under review.	The receivables from 02 institutions for communication towers had not been accounted during the year.	- Do -

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.1,365,077 as compared with the excess of revenue over recurrent expenditure amounted to Rs.1,438,033 in the preceding year.

2.2 Revenue Administration

Revenue Collection Performance

Audit Observation	Comment of the Council	Recommendation
(a) Assessments and Taxes		
The council had been failed to charge the assessment and taxes for more than 03 years amounting to Rs.1,247,433 due on 31 December 2021.	This situation has arisen because there are no revenue administration officers.	Arrears should be recovered promptly.
(b) Rentals		
A sum of Rs.480,508 of market stall rentals due on 31 December 2021 had not been collected from the 11 stall owners for a long period of 2 to 10 years.	It has become difficult to collect rentals and do further legal actions since the vacancy of revenue administration posts and deficiencies in contracts.	- Do -

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 3 of the Pradeshiya Sabha Act are shown below.

(a) Management Inefficiencies

Audit Observation -----	Comment of the Council -----	Recommendation -----
Rs.550,000 was remained in the deposit account for more than 10 years which were taken from 11 applicants by Rs.50,000 each, stating that the shop rooms were to be rented out in the year 2010, but actions had not been taken to rent out the shop rooms to the relevant parties.	So far, no re-tender deposit has been issued or shop rooms have been given to relevant parties.	Actions should be taken to rent out shops to suitable parties.

(b) Environmental issues

Audit Observation -----	Comment of the Council -----	Recommendation -----
The machines worth Rs.490,000 purchased under the Provincial Special Development Grant (PSDG) program for cutting plastic waste at the Helahampura solid waste collection center had been remained idle for 03 years in the council's office warehouse without electrical connections. Due to this, 500kg of plastic waste collected during the respective specified period had been piled up in the collection center.	It has been requested the power supply and once it is received, will be proceed to install the machine.	Electrical connections should be obtained promptly and the machine should be utilized effectively.