

Giribawa Pradeshiya Sabha- 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Giribawa 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, and cash flow statement 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 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 Giribawa 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 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 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 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(i)(d)(iv) of the National Audit Act, No. 19 of 2018.

1.6 Observations on the Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
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(a) Since the amount of Rs. 4,139,957 spent for the construction of solid waste management center during the year under review had not been capitalized, non-current assets and the revenue contribution to capital input account had been understated.	The deficiencies pointed out by the Audit is accepted.	Accuracy should be ensured in accounting.
(b) A sum of Rs. 1,192,494 of 04 items of expenditure had been understated in the financial statements during the year under review.		
(c) Although the industrial debtors as at 31 December of the year under review was Rs.113,868,803 it had been stated as Rs.111,662,880 thus understating by Rs.2,205,923.		
(d) Furniture and machinery worth Rs. 418,736 owned by the Sabha had been eliminated without approval. Necessary adjustments therefor had not been made in the accounts.	The deficiencies pointed out by the Audit is accepted.	Accuracy should be ensured in accounting.

1.6.2 Non-reconciled Control Accounts or Reports

Audit Observation	Comment of the Sabha	Recommendation
Although the value of the general creditors indicated in the schedules of the financial statements as at 31 December of the year under review was Rs. 3,097,099, it was Rs. 177,636 according to the general creditors schedule. Accordingly, a difference of Rs. 2,919,463 was observed.	Action will be taken to make the relevant correction by journal entries in this year.	Accuracy should be ensured in accounting.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the expenditure of the Sabha in excess of the recurrent revenue amounted to Rs. 1,966,795 for the year ended 31 December 2021 as against the revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.1,356,863.

03. 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 Operating Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
Four shops had been constructed at the Giribawa bus stand and it had been decided to provide 03 of the above shops to the owners whose shops had been demolished in the construction of the bus stand. However, there was no agreement with the old shops owners to the effect that the said shops were given on lease and it was observed according to the request letters made by those shop owners that they were unauthorized traders. Without tendering, these shops had been given to the same shop owners once in 03 years. Although	The third shop has been given on lease to another person and it is accepted that approval of the Minister in charge of the subject could not be obtained therefor due to a mistake.	Action should be taken to lease shops in accordance with the instructions of the Act.

these shops were given on long term lease, it should have been done on the approval of the Minister in charge of the subject by recovering a payment as a lump sum, action had not been taken accordingly.

3.2 Deficiencies in the Contract Administration

Audit Observation	Comment of the Sabha	Recommendation
<p>(a) Under the rural road development programme, 2021, the work for the development of the road from Singappaliya to Asiyakotuwa had been initiated under an agreement worth Rs.2,000,000. It was observed in the physical inspection carried out on 26 September 2022, only a section of 100 meters had been completed and the paving blocks of that section had been sunk and the paving blocks and construction materials had been piled up on either sides of the road. Although an agreement worth Rs.2,000,000 had been entered into with a farmers' association for this construction, a member of the Giribawa Pradeshiya Sabha was carrying out the contract and it had been certified by the Technical Officer.</p>	<p>Due to increase in the material costs than the estimated rates and lack of materials, the contacted institution had not taken steps to totally complete the project.</p>	<p>* Action should be taken to complete the project in accordance with the agreement.</p> <p>* The project should be carried out through the contractual society.</p>
<p>(b) Calling for quotations irregularly for this project, 36 skilled and unskilled employees had been recruited on a procurement approval. In the payment of wages, check rolls had not been used and wages of Rs.923,200 had been paid at Rs. 2,500 and Rs. 1,900 for skilled and unskilled employees respectively.</p>	<p>As it was difficult to find a manpower supply institutions and there was no enough time to recall for quotations, the project has been carried out by approving one quotation at the financial committee held on 09 December 2021.</p>	<p>* The internal control system adopted in making payments to the workers should be strengthened.</p> <p>* In deploying employees, payments should be made in accordance with the Highway Schedule of Rates (HSR)</p>