

Delft Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Delft Pradeshiya Sabha for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2021 and the income and expenditure account and cash flow statement for the year then ended, and notes to the financial statements, 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 provisions of Sub Section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and 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 accompanying financial statements give a true and fair view of the financial position of the Delft 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 Principles.

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 Principles 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.

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 skepticism 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) The financial statements of the Pradeshiya Sabha is consistent with the preceding year as per the requirement of section 06 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented had included 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 regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observations -----	Comments of the Sabha -----	Recommendations -----
(a) A double cap vehicle of Rs. 6,390,000 belonging to the Sabha had not been included in the vehicles and carts account in the year under review, thus the value of non-current assets and government subsidy for capital expenditure had been understated in the financial statement.	Action will be taken to include the value of the said vehicle in the accounts for the next financial year.	The issue should be rectified by ensuring that disclosures are made at appropriate periods in accordance with accounting policies.
(b) Out of Rs. 499,240 received by the sabha from the road development authority as subsidy for diesel for Nedunthaaragai passenger ferry service during the review year and Rs. 4,000,000 as subsidy received from the office of the assistant commissioner of local government for Nedunthaaragai passenger service, a sum of Rs. 1,967,696 hand not been utilized and included in the deposit.	As the specific subsidy amounts are received through a separate bank account for the Nedunthaaragai ship and the expenses are being made, there is no need to process it through the deposit account.	It should be ensured timely disclosures in accordance with accounting principles and steps should be taken to include said values in the fixed assets.

1.6.2 Non-submission of Documentary Evidences for Audit

Item -----	Amount Rs.	Evidence not submitted -----	Comment of the Council -----	Recommendation -----
The fixed deposit of employee security fund.	30,000	Confirmation documents	A sum of Rs. 30,000 has been shown in the accounts for several consecutive years under the name of council funds in fixed deposit. However, none of	In this regard, meaningful actions should be taken as soon as possible.

their documents are maintained by the sabha.

2 Financial Review

2.1 Financial Results

According to the Financial Statements presented, revenue over recurrent expenditure of the Sabha for the year ended 31 December 2021 amounted to Rs. 3,915,265 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 966,724.

2.2 Revenue Administration

2.2.1 Performance in Collection of Revenue

Audit Observations	Comments of the Sabha	Recommendations
(a) Rents At the end of the year under review, no action has been taken for the past 03 years to recover the shop rent arrears of Rs 28,000 and the lease arrears of Rs. 92,200.	The concerned have been instructed to pay the shop rent arrears and lease arrears. It will be rectified once it is received.	Meaningful measures should be expedited regarding the said arrears.
(b) Other revenue Action had not been taken to recover tourist vehicle arrears of 26,500, water supply fee arrears of Rs. 66,600 and tractor charge arrears of Rs. 266,515 had not been taken for 03 years as at the end of the year under review,	Instruction has been given to the concerned persons to pay tourist vehicle arrears, water supply fee arrears and tractor charge arrears. It will be rectified once it is received.	Meaningful measures should be expedited regarding the said arrears.

3. Operational Review

The matters observed in respect of execution of activities that should be executed by the Sabha under Section 3 of the Pradeshiya Sabhas Act such as regularize and control over the matters of public health, public utility services and public thoroughfares and the comfort, convenience and welfare of the people are given below.

3.1 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
Ten buildings belonging to the sabha have not been revalued and included in the assets for the last 05 years.	Steps are being taken for revaluation of the said buildings.	Assets belonging to the sabha should be valued and included in the assets.

3.2 Operating Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
The contract for 04 shops rented out by the sabha on long-term basis was to be renewed once for 03 years, but it was not renewed after 2018.	Although the invitation letters for the renewal of the contracts of the said 04 shops have been sent to the shop owners, the contracts have not been renewed yet as they have not come to the office. Steps are being taken to send reminder letters to them.	Action should be taken to renew contracts in due course.

3.3 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
Assets not taken over Ownership of 10 motor vehicles and carts being used by the sabha during the year under review have not been transferred to the name of the sabha.	Steps are being taken to transfer the ownership of the vehicles indicated by you to the name of the sabha.	Steps should be expedited to transfer the ownership of vehicles being used by the sabha to the sabha.