

Dehiattakandiya Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Dehiattakandiya 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 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 Dehiattakandiya 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 except the audit matters described in paragraph 1.6.1 (e) of this report, 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

Accounting Deficiencies

Audit Observation	Comment of the Council	Recommendation
(a) Although Rs.2,100,184 rent receivable for the preceding year had been debited to the rent receivable account, the accumulated fund had been understated due to the fact that the amount was not taken to the accumulated fund.	Actions will be taken to rectify.	Financial statements should be prepared accurately.
(b) The deposit balance of Rs.344,160 given by the Local Government Department for the implementation of the operations in the reviewed year and preceding year had not been presented in the financial statements.	Actions will be taken to rectify the accounts in the next year.	Financial statements should be prepared accurately.
(c) The number of 191 street lamps worth Rs.623,615 purchased by the council in the year under review had not been accounted.	Actions will be taken to rectify in the future.	Financial statements should be prepared accurately.

- (d) The value of 10 vehicles and machinery worth Rs. 24,356,635 owned by the council had been overstated by Rs.28,052,992 since stated as Rs.52,409,627. As a result, the income contribution to property equipment and capital investment had been overstated by that value. Actions are being taken to rectify. Financial statements should be prepared accurately.
- (e) The water bowser valued at Rs.12,000 which was belonging to the council had been accounted as Rs.6,009,602. Actions will be taken to rectify the incorrect accounting. Financial statements should be prepared accurately.

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.1,918,824 as compared with the excess of revenue over recurrent expenditure amounted to Rs.8,000,550 in the preceding year.

2.2 Revenue Administration

Revenue Collection Performance

Audit Observation	Comment of the Council	Recommendation
(a) Assessments and Taxes		
The outstanding assessments and taxes were Rs.2,223,110 as at the last day of the year under review, out of this, Rs.1,731,120 had been remained in arrears from 01 to 16 years and the inefficiency of the revenue collection officer had been directly affected to this.	Actions are being taken to prepare the procedures after making discussion with Mahaweli Authority to settle the rights.	Arrears should be recovered promptly.

(b) Rentals

The outstanding balance was Rs.227,600 as at 31 December 2020 and the balance had been increased by Rs. 361,650, i.e. by 59 per cent as at 31 December 2021. Number of 02 posts of Revenue Inspector are vacant. Arrears should be recovered promptly.

(c) Court Fines

The council had not been taken action to collect the court fines of Rs.407,375 due on 31 December 2021 from the Chief Secretary of the Provincial Council and other officials. It was not possible to collect the court fines on 31.12.2021 in that year and it will be rectified in this year. Arrears should be recovered promptly.