

Thirukkovil Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Thirukkovil Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising Balance Sheet as at 31 December 2021, Income and Expenditure Account and 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 Thirukkovil 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 regarding the preparation of financial statements

Accounting Deficiencies

Audit Observation	Comment of the Council	Recommendation
(a) The amount of Rs. 956,700 which was spent on installing solar energy electric lamps had been accounted as Rs. 600,000 in the financial statements for the year under review.	Actions will be taken to rectify in the next financial year's accounts.	Financial statements should be prepared accurately.
(b) The amount of Rs. 2,045,865 which was spent for the development projects of the Dandiadi Solid Waste Disposal Center had not been accounted. As a result, the accumulated funds had been understated by this amount.	- Do -	- 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.8,392,084 as compared with the excess of revenue over recurrent expenditure amounted to Rs.1,918,824 in the preceding year.

2.2 Revenue Administration

Revenue Collection Performance

Audit Observation	Comment of the Council	Recommendation
Rentals		
(a) Actions had not been taken to collect 30 per cent or Rs. 319,260 of the shop rentals of Rs. 1,045,560 due on 31 December 2021 for a long period of 10 years.	Arrears will be charged on time.	Actions should be taken to recover the revenue promptly.
(b) The amount due from the lease on bids up to 31 December 2021 was Rs.1,741,126. Out of this, Rs. 752,388 was due for a period of 02 to 05 years and Rs. 510,682 was due for more than 20 years.	- Do -	- 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.

3.1 Idle or underutilized Assets

Audit Observation	Comment of the Council	Recommendation
The public market for fishermen which was built by a non-governmental organization at a cost of Rs.5,000,000 in Vinayapuram and handed over to the council in the year 2017, had been remained idle for more than two years without use.	It is remaining idle due to resettlement of people.	Actions should be taken to use the market building.

3.2 Defects in Contract Administration

Audit Observation	Comment of the Council	Recommendation
Although contracts were signed in the year under review for the construction of elephants' fence around the Dandiadi Solid Waste Disposal Center and materials worth Rs. 883,865 were purchased, this work had not been commenced by the date of audit.	The relevant work will be commenced after receiving the funds.	Actions should be taken to obtain financial provisions and to complete the works within the stipulated time.

3.3 Management Inefficiencies

Audit Observation	Comment of the Council	Recommendation
The value of 46 lands and vehicles owned and utilized by the council had not been assessed and accounted and action had not been taken to assess them even by the end of the year under review.	It will be assessed and accounted after receiving the documents.	Valuation and accounting of assets should be expedited.