

Dickwella Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Dickwella Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising the Statement of financial position as at 31 December 202, Statement of Financial Operations, statement of changing Equity, 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 Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and the provisions of the National Audit Act No 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 Dickwella 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 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) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) An expenditure of Rs.4,676,860 incurred in the year under review for the development of land and buildings owned by the council and the play equipment purchase at a cost of Rs.1,861,920 for installing the children's garden owned by the council had not been capitalized.	The action will be taken to capitalize in the future.	Should be accounted correctly.
(b) The provision had not been made under various creditors for an amount of Rs.2,506,148 payable to the Local Government Pension Contributory Fund as at 31 December of the year under review.	The action will be taken to account for the revised amount after receiving it from the Pension Department.	
(c) Over provision of Rs.468,204 had been made under creditors as at the end of the year under review.	The action will be taken to make adjustment entries.	

1.6.2 Non reconcile control account or records

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs. 286,757,821 in between the balances related to 13 accounting items included in the financial statements was Rs. 407,129,532 and the balances shown in the related utility documents/schedules and ledger accounts.	The action will be taken to correct in future.	The differences in the respective balances should be reconcile and correct the accounts.

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December amounted to Rs. 75,375,089 as compared with excess of revenue over recurrent expenditure amounted to Rs. 45,159,104 in the preceding year.

2.2 Performance of the revenue collection

(a) Assessment

Audit Observation

The number of assessment units was 4186 in the year under review and at the end of the year there was a deficit of Rs.3,077,680 from 1269 assessment units.

Comment of the Sabha

As soon as the situation in the country is settled, the rest of the arrears will be recovered.

Recommendation

Arrears of income should be collected promptly.

(b) Shop Rent

Audit Observation

120 shop rooms owned by the council were leased in the year under review, and from the balance of Rs.957,133 that was due at the end of the year under review from 56 shop rooms, Rs.219,470 had been collected in the year 2022.

Comment of the Sabha

An amount of Rs.219,470 had been recovered from the amount of Rs.957,135 at the end of the year under review.

Recommendation

Arrears of income should be collected promptly.

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 Deficiencies in contract administration

----- Audit Observation -----	Comment of the Sabha -----	Recommendation -----
(a) The construction work was assigned on 28 December 2020, to a certain community development society for the contracted value of Rs.758,339 for the development of Mahapadilia watta Cemetery Road under 02 project proposals based on the 2020 Sapiri Gamak People's Participation Rural Development Program and the council fund allocation of the reviewed year. Under this project, the road leading to the cemetery was paved with concrete and 02 concrete embankments were built on both sides at a cost of Rs.179,513 for planting flowers on both sides of the road, however by 25 May 2022, the planting of flowers on both sides of the road had not been done. Although there were parts of the road leading to the cemetery that needed to be further developed, a net cost of Rs.179,513 had been incurred for the construction of concrete embankments without developing them.	The work of planting flowers will be carried out immediately.	The Projects should be implemented effectively
(b) Under the development plan of the year under review, an estimate of Rs.1,857,215 was prepared and assigned to a community development society on 19 July 2021 for the renovation of the roof and front of Dickwella bus station based on the provisions of the Southern Provincial Road Passenger Transport Authority. In the payment bill prepared in relation to this project, Rs. 159,600 had been paid for the preparation of 105 meters long gutters under work item No. 05, however as per the physical measurements, the length of the gutter used was 31.5 meters, so Rs. 111,720 for 73.5 meters had been overpaid to the contractor.	The overpaid amount will be deducted from the retention amount and the remaining amount will be released under the supervision of the relevant technical officer.	Payment should be made according to the quantity of finished work