

Deraniyagala Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Deraniyagala Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising the Statement of financial position as at 31 December 2021 Statement of Financial Operations, 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 Provision of 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 financial statements give a true and fair view of the financial position of the Deraniyagala 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

I expressed qualified opinion 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 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 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 Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- (a) 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.
- (b) The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the preparation of Financial Statements

Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
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Though the water storage stock balance was Rs. 1,339,713 as per the financial statements, but it was Rs. 1,411,467 as per the stock verification report at the end of the year under review and there had been a difference of Rs 71,754.	It was informed that the it will be adjusted in the accounts of the year 2022.	Accounts should be rectified.

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 5,590,670 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 7,222,952 in the preceding year.

2.2 Revenue Administration

Performance in Revenue Collection

Audit Observation	Comments of the Council	Recommendation
(a) Acre tax		
The outstanding acreage tax balance due from 368 units was Rs. 452,236 at the end of the year under review. Action has not been taken to recover that outstanding.	That difficulties have been faced in recovering the acreage tax dues and it was also informed that a domain-wise survey has been incepted from the year 2022, through which the landowners who are to be removed from the acre tax register will be removed.	Action should be taken to recover the acre tax in due.
(b) Water Charges		
The outstanding balance of water charges due from 22 government institutions and 1321 private institutions were Rs. 58,522 and Rs. 1,055,052 respectively at the end of the year under review and out of which Rs. 1,022,990 was relevant to the year under review and also Rs. 90,584 was the balance over a year.	Water connections of Rs.31,232 have been disconnected from the due of water charges exceeding the year. It was informed that the water connection will be disconnected and legal action will be taken in order to recover the rest of amount.	Actions should be taken to recover the due income.

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.

Identified Losses

Audit Observation

Although the JCB had been operated in 572 hours during the year under review, Rs 1,336,250 revenue was lost to Sabha due to the operating 534.5 hours without charging contrary to paragraph 3.7 of Local Government Circular No. 11/2010.

Comments of the Council

It was informed that it has been provided free of charge on the approval of the Honourable Chairman in times of emergency and for public works as well as for the work of the Sabha

Recommendation

Functions should be done as per the circular.

4. Accountability and Good Governance

Environmental Observations

Audit Observation

Machines and equipment and labour charge of Rs. 5,383,968 has been incurred for solid waste management in the year 2021, Due to the fact that the council did not have a garbage yard to dispose about 03 tons of garbage collected daily from 04 domains and had been released to the Bothota cemetery. Due to this, the council lost an opportunity to earn income, water sources were contaminated, and the environment and animals' health have been adversely affected.

Comments of the Council

Although garbage is currently being dumped to Bothota Cemetery, the council received a baler machine for solid waste management and with this and the biogas unit under construction and it was informed that permanent solutions for this problem can be obtained.

Recommendation

Solid waste management should be formalized.