

## **Godakawela Pradeshiya Sabha - 2021**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The Audit of the financial statements of the Godakawela Pradeshiya Sabha for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial operations, Cash flow statement for the year then ended 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 Sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be published in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Godakawela Pradeshiya Sabha as at 31 December 2021, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

#### **1.2 Basis for Qualified Opinion**

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My opinion is qualified based 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 the Management and Those Charged with Governance for the Financial Statements**

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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 as management determine is necessary to enable the preparation of the financial statements that are free from material misstatements, 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 periodic financial statements to be prepared.

#### **1.4 Scope of Audit (Auditor's Responsibility in Auditing Financial Statements)**

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 a part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also,

- Appropriate audit procedures were designed and performed identify and asses the risks of material misstatements in financial statements whether due to fraud or error in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design audit procedure that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the 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 discourses, 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 the Pradeshiya Sabha 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**

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

- a) The financial statements of the Pradeshiya Sabha are in consistence with that of the previous year as required by Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- b) The recommendations made by me during the previous year are included in the financial statements presented as required by 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**

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) The adjustments had not been made for short billing of stamp fees amounting to Rs. 7,253,930 in the year 2020.	It has been informed that, it will be rectified in the preparation of final account of the year 2022.	The adjustments for over or under provisions should be made in time.
(b) Two hundred and eleven water meters which were in the stores as at the end of the year under review costing Rs. 580,250 had not been included in the closing stock.	It has been informed that, action will be taken to make adjustments in preparing accounts of the year 2022.	The value of the closing stock should be correctly presented in the financial statements.
(c) Revenue generated by providing road roller on rental basis amounting to Rs. 60,182 in the year under review had not been accounted for.	It has been informed that, accounting has been missed and will be rectified in the future.	The revenue relating to the year should be correctly identified and accounted for.
(d) The audit fees were not provided for the year under review.	It has been informed that, the provisions for audit fees will be made in preparing financial statements in future.	The liabilities should be correctly identified and the provisions there on should be made.

## **2. Financial Review**

### **2.1 Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2021 amounted to Rs. 13,544,809 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 9,004,505.

## 2.2 Revenue Administration

### Performance in Collection of Revenue

Audit Observation	Comments of the Council	Recommendation
<b>(a) Rates and Taxes</b>		
<p>The 2551 assessment units remained in arrears as at the end of the year under review amounting to Rs. 3,886,627 had included 58 Government assessment units and 2493 private assessment units amounting to Rs. 280,983 and Rs. 3,605,644 respectively. Even though offering the option to pay in monthly installments to recover arrears had been made and red notices had been sent for large balances, no further action was taken.</p>	<p>It has been informed that, a grace period had been given for payment of assessment arrears and action will be taken to restraining of properties to all those who have not paid immediately after the expiry of that period of October 2022.</p>	<p>Prompt action should be taken to recover revenue receivable to the Sabha.</p>
<b>(b) Lease Rent</b>		
<p>Without entering into a contract and without obtaining a security deposit, 24 trade stalls and 05 store rooms in the Madampe fish market had been leased on 21 April 2021 without a Sabha decision. Even though the lessees of the fish market had requested from the Pradeshiya Sabha to remove the unauthorized fish stalls on the main road in front of this fish market, the Pradeshiya sabha had not taken legal action to remove that unauthorized stalls. Due to that reason payment of tax arrears amounting to Rs. 1,241,200 had been defaulted by lessees from</p>	<p>It has been informed that, based on a decision taken by the chairman the shops were given on the basis of annual rent without tendering and due to public complaints it had to be opened quickly without entering in to a contract and the arrears are increasing due to the lack of solutions to the problems of the building and action is being taken to recover arrears.</p>	<p>Contracts should be entered into for the un contracted shops immediately and the existing problems should be resolved and the arrears should be collected without delay.</p>

April 2021 relating to above 29 trade stalls and the pradeshiya Sabha had failed to recover above arrears of rentals.

### 3. **Operating Review**

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The matters observed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters of public health, public utility services, thoroughfares and the comfort, facilities and well-being of the people under section 03 of the Pradeshiya Sabha Act are given below.

#### **Operating Inefficiencies**

##### **Audit Observation**

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Even though, 270 water meters had been purchased by incurring Rs. 742,500 from Sabha funds on 30 December 2016 to install water meters for water connections of 02 water projects which executed by the Sabha in Rakwana area, only 59 water meters had been installed by 02 February 2022, the date of audit. Accordingly it was observed that the contribution of the Sabha to regularize its activities by installing water meters for water connections is at a very low level. Even though, 06 years had elapsed since the purchase of water meters the relevant objective had not been fulfilled.

##### **Comments of the Council**

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It has been informed that, the water scheme does not have a treatment unit and due to the constant breaking of the water pipe system the installation of water meters has been stopped at this time as the water meters are constantly malfunctioning due to stones and gravel were mixing and provisions will be made in the future to regularize water projects and water meters will be installed properly.

##### **Recommendation**

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Water projects should be repaired and those activities should be maintained properly by installing meters.

#### 4. Accountability and Good Governance

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##### Environmental Problems

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###### Audit Observation

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A cost of Rs. 1,474,870 had been incurred for 05 vehicles to dispose of 2160 metric tons of solid waste in the year under review within the authoritative area of the Sabha and a sum of Rs. 6,617,808 had been incurred as salaries and allowances of 15 employees. Even though a solid waste management plan was available, those waste had been disposed of without following a formal and environment friendly methodology and the pits were dug in the waste disposing land in Balawinna and waste disposed into them and as such many environmental problems had arisen.

###### Comments of the Council

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It has been informed that, even though the provisions had been given by the Ministry of Local Government for the waste management project in the year 2021, the contractors has rejected the constructions due to increase of goods and services over the estimated amount.

###### Recommendation

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A formal waste management plan should be planned and necessary actions should be made to implement it.