

## **Ukuwela Pradeshiya Sabha - 2020**

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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 Ukuwela Pradeshiya Sabha for the year ended 31 December 2020 comprising the balance sheet as at 31 December 2020 and the income and expenditure account, and notes to the financial statements, including a summary of significant accounting policies, 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 Sabhas 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 presented 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 Ukuwela Pradeshiya Sabha as at 31 December 2020, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **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 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 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 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 and 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 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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors 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 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 procedures 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 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 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

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

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

### 1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
<p>(a) The stamp fee revenue amounting to Rs. 3,582,506 that had been brought to accounts as being receivable after being estimated in the preceding year, a sum of Rs. 3,105,250 had been received in the year under review. As such, in order to write off the sum of Rs. 477,256 that had been brought to accounts after being overestimated in the preceding year, the accumulated fund and the receivable revenue account should have been debited and credited respectively. Instead, a sum of Rs. 2,232,064 had been debited and credited to the receivable revenue account and the accumulated fund respectively, thus the receivable revenue account and the accumulated fund had been overstated by a sum of Rs. 2,709,320.</p>	<p>Will be corrected in the accounts for the year 2021.</p>	<p>Account balances should be corrected.</p>
<p>(b) The value of 04 lands in extent of 131.44 perches owned by the Sabha had not been brought to accounts after being assessed.</p>	<p>Will be corrected in the accounts for the year 2021.</p>	<p>Account balances should be corrected.</p>

## 1.6.2 Non-reconciled Control Accounts or Reports

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
The balances in the schedules relating to 04 items was Rs.35,328,368 but it was shown as Rs.36,079,878 of accounts in the financial statements, thus indicating a difference of Rs. 868,145.	Will be corrected in the accounts for the year 2021.	The account balances should be corrected.

## 1.6.3 Non-compliances

### Non-compliances with Laws, Rules, Regulations, and Management Decisions

Reference to Laws, Rules, and Regulations, etc.	Non-compliance	Comment of the Pradeshiya Sabha	Recommendation
Pradeshiya Sabha Act, No. 15 of 1987.			
Section 154 (1).	A tax equivalent to one per cent of the proceeds of the sale of 02 lands sold by public auction should have been levied, but the value of 1 per cent had been computed on the estimated value of the lands totalling Rs. 64,736,700, thus recovering a sum of Rs. 647,367. Action had not been taken to identify the sale value of lands and recover the balance.	Action will be taken in due course to recover the balance.	Action should be taken to recover the balance.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the recurrent revenue of the Sabha in excess of the recurrent expenditure of the year ended as at 31 December 2020, amounted to Rs. 33,184,252 as compared to the recurrent revenue in excess of the recurrent expenditure for the preceding year amounting to Rs. 25,910,046.

## 2.2 Revenue Administration

### Performance in Collecting Revenue

- a) Action had not been taken for more than one year to recover rates totalling Rs. 82,895 relating to 20 properties belonging to the Department of Railways, stall rents totalling Rs. 63,140 relating to 04 stalls, and parking fees totalling Rs. 193,200 from 322 trishaws.
- b) Court fines totalling Rs. 3,785,955 and stamp fees totalling Rs. 27,738,451 receivable from the Chief Secretary of the Central Province and the other officers as at 31 December of the year under review, had not been recovered.

## 3. Operating Review

Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people in terms of Section 03 of the Pradeshiya Sabhas Act, are as follows.

### 3.1 Transactions of Contentious Nature

The Chairman himself had obtained an advance of Rs. 150,000 and given to a member of the Sabha without the payment voucher being approved in respect of supplying fruits and vegetables at concessionary prices to the people in the area of Ukuwela Pradeshiya Sabha who had been affected by curfew imposed by the Government following the spread of Covid-19 virus. No documentary evidence whatsoever had been maintained to the effect that fruits and vegetables had been purchased using the advance and distributed among the affected people at concessionary prices. Having obtained the advance improperly, fruits and vegetables had been transported from other areas and sold around the town using employees and a lorry of the Sabha during the period 01 – 19 April 2020. Furthermore, an expenditure of Rs. 21,726 had been incurred on fuel.

### 3.2 Management of Procurements

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
<p>Contrary to the provisions of Pradeshiya Sabha (Financial and Administration) Rule 177 of 1988, quotations had been obtained personally and sports equipment valued at Rs. 165,996 had been purchased. The lowest price of Rs. 36,725 given for a Homegym set and 04 Dumbbells had been rejected, and those items had been purchased from an institution at a higher price of Rs. 62,230, thus incurring a loss of Rs. 25,505.</p>	<p>The matter pointed out is accepted.</p>	<p>Laws, Rules, and Regulations should be followed.</p>