

## **Thawalama 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 Thawalama Pradeshiya Sabha including the financial statements for the year ended 31 December 2020 comprising the Statement of financial position as at 31 December 2020, 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 Provisions 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 accompanying financial statements give a true and fair view of the financial position of the Thawalama 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 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 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)**

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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 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

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The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- 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.
- 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

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### 1.6.1 Accounting Deficiencies

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<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
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The opening balance of stamp fees receivable had been under stated by Rs. 1,128,260.	Will be correct in future account preparation.	Should be accounted correctly.

### 1.6.2 Non reconcile control account or reports

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<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
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There was a difference sum of Rs.5,674,148 in between the balance value of 07 accounting items in the financial statements and balance value in relevant utility registers and sub registers as at 31 December of the year under review.	Mistakes made in the preparation of sub registers will be rectified.	Differences should be identified and corrected.

### 1.6.3 Suspense Account

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<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
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There was a debit balance of a suspense account of Rs.16,477 which was coming as unsettled since 2013.	The reasons for the suspense account balance will be find and take action to rectify it.	Action should be taken to settle the balance.

#### 1.6.4 Lack of Documentary Evidence for Audit

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
The information required for the audit had not been submitted for 07 accounting items amounting to Rs. 66,571,491.	The action will be taken to enter the value after the assets will be taken over by the Sabha and that the relevant documents will be maintained in due course in future.	Fixed asset registers should be up dated.

## 2. Financial Review

### 2.1 Financial Review

According to the Financial Statements presented, revenue over recurrent expenditure of the Sabha for the year ended 31 December 2020 amounted to Rs.2,095,477 as compared with against the revenue over recurrent expenditure amounted to Rs.85,783 in the preceding year.

### 2.2 Revenue Administration

#### 2.2.1 Performance of Revenue Collection

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
<b>(a) Acreage Tax</b>		
The action had not been taken to collect the Acreage tax of Rs.66,722 during the year under review.	The land owners have been informed in writing to pay the Acreage tax and that the lands subject to the Acreage tax have been divided and action will be taken to remove the lands which are not subject to the tax from the register.	Arrears of income should be recovered
<b>(b) Rate</b>		
Action had not been taken to recover the rent arrears of Rs.1,028,528 during the year under review.	Rental income has come down due to the adverse conditions prevailing in the country.	
<b>(c) Court Fine and Stamp Fees</b>		
As at 31 December of the year under review, Rs.2,435,133 was due for court fines and Rs.1,085,932 for stamp fees. The Chief Secretary had not taken action to pay the court fines and stamp fees to the Sabha.	This money has been requested on several time.	Arrears of income should be recovered