

## **Imaduwa 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 Imaduwa 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 Imaduwa 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.

- (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

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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>
(i) During the year under review, four items of Plant and Machinery valued at Rs. 106,772 had been purchased and action had not been taken to capitalized.	Actions will be taken to correct in future	Should be accounted correctly.
(ii) Wholesale purchases of Ayurveda stocks during the year under review had been understated by Rs. 54,120.	Actions will be taken to correct in future	Should be accounted correctly.
(iii) Capital Asset Repair and Maintenance Expenditure under the General Administration Program for the year under review was Rs. 82,719 had been understated in the accounts.		

### 1.6.2 Non reconciled Account or Records

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<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
There was a difference sum of Rs. 1,332,124 in between the balance value of 06 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.	Accepted the paragraph.	Action should be taken to correct the accounts by comparing the changes in the relevant balances.

### 1.6.3 Lack of documentary evidences for audit

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<b>Audit Observation</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----
The information required for the audit had not been submitted in respect of 09 accounting items amounting to Rs.181,750,613.	The actions will be taken to maintain these records properly in the future.	Updated documents should be maintained.

## 2. Financial review

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### 2.1 Financial result

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According to the Financial Statements presented, revenue over recurrent expenditure of the Sabha for the year ended 31 December 2020 amounted to Rs. 11,871,849 as compared with against the revenue over recurrent expenditure amounted to Rs. 2,063,089 in the preceding year.

### 2.2 Revenue Administration

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#### 2.2.1 Performance of revenue collections

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<b>Audit Observation</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----
<b>(a) Rates and Tax</b> -----		
The action had not been taken to recover the Rates and taxes amounting to Rs.761,277 due for the year under review and the last year.	The action will be taken to recover arrears of assessment tax and acreage tax in future.	Actions should be taken to recover arrears of income.
<b>(b) Rent</b> -----		
The action had not been taken to recover Rs. 654,370 in arrears of Rent at the end of the year under review,	The legal action had not been taken on the instructions of the heads of Institutions on the Covid 19 situation and I will take necessary action in the future.	Action should be taken to recover the arrears of income.
<b>(c) License Fees</b> -----		
Action had not been taken to recover the outstanding license fee of Rs.125,850 at the end of the year under review.	The action will be taken to get necessary steps to recover the arrases in future. .	Action should be taken to recover the arrears of income.