

## **Matara 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 Matara 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, Statement of Changing Equity, 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 Matara Pradeshiya Sabha as at 31 December 2020, and of its financial performance and its cash flows 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>
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(a) Although an agreement was signed with a private company on 28 October of the year under review to install a solar panel system for the Pradeshiya Sabha for a sum of Rs. 4,395,000, no provision had been made for it.	[ That will be corrected in the preparation of the final accounts for the year 2021.	] Should be properly accounted.
(b) Under provision of Rs.202,309 had been made for refundable deposit amounting to Rs. 6,900,767 for payable as stamp tax at the end of the year under review.		
(c) The amount of Rs. 571,973 which was not reimbursed as employee salary for the year under review had not been taken into account as refundable salary allowance.		

## 1.6.2 Non reconciled Account or Records

### Audit Observation

There was a difference sum of Rs. 455,751 in between a balance of Rs. 20,136,495 in the value of 02 accounting items in the financial statements and value of Rs. 19,680,744 in relevant utility registers/sub registers

### Comment of the Sabha

The balance changes mentioned in the sub registers will be identified and actions will be taken.

### Recommendation

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

### Audit Observation

Information relating to 10 accounting items amounting to Rs. 114,196,936 required for audit had not been submitted.

### Comment of the Sabha

Actions will be taken to settled the balances

### Recommendation

Evidence confirming the account balance shown in the financial statements should be submitted.

## 2. Financial review

### 2.1 Financial result

According to the Financial Statements presented, revenue over recurrent expenditure of the Sabha for the year ended 31 December 2020 amounted to Rs. 64,194,533 as compared with against the revenue over recurrent expenditure amounted to Rs. 10,861,639 in the preceding year.

### 2.2 Revenue Administration

#### 2.2.1 Performance of revenue collections

### Audit Observation

- (a) There was an arrears of assessment balance of Rs. 8,165,788 as at the end of the year under review

### Comment of the Sabha

Rs. 330,000 has been recovered from mobile services and the field and there is a difficulty in recovering due to the corona epidemic in the year 2020 .

### Recommendation

The arrears of revenue should be recovered promptly.

(b)	There was a rent arrears of Rs. 656,093 as at the end of the year under review.	The Chief Minister has been directed to write off the arrears as they are a long outstanding arrears.	Action should be taken to recover the arrears promptly.
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**3. Operational Review**  
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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.

**3.1 Management inefficiencies**  
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<b>Audit Observation</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----
The Technical Officer of the council had prepared an estimate of Rs. 1,514,070 for damage the Janaraja Mawatha in the Council territory however charged only Rs.976,063 and the council had not taken action to recover the remaining amount and the road had not been repaired on time.	Rs.1,212,831 has been agreed to be collected and an amount of Rs. 800,000 has been paid to the Sabha by the relevant institution and the Road Development Authority is re-carpeting and developing the road with side walls	Prompt action should be taken to recover the arrears.

**3.2 Weaknesses of Contract Administration**  
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<b>Audit Observation</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----
An additional Rs. 99,948 had been spent on 09 projects implemented by the Council under the Supiri Gamak Community Participatory Rural Development Program during the year under review,	Will be investigated and reported to the audit immediately in the future	The estimates should be prepared correctly.