

Pasgoda Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Pasgoda 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 Pasgoda 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

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

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)

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

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

1.6.1. Accounting Deficiencies

Audit Observation -----	Comment of the Sabha -----	Recommendation -----
(a) According to the Land and Building Register, the value of 05 lands and buildings owned by the Sabha was Rs. 132,932,871 however, it had been Accounted as Rs. 72,598,516 and Rs. 60,334,355 were understated in the accounts.	Action will be taken to correct.	Should be accounted correctly.
(b) Motor vehicle belongs to the Sabha valued at Rs. 6,390,000 had not been accounted under Motor vehicle and carts.	Will be corrected that the money spent to prepare the canopy was included in the fixed asset register.	Should be accounted correctly
(c) 26 bulbs valued at Rs. 51,480 had not been included in to the street lamp stock as such the stock was under-accounted at the end of the year under review.	It had been corrected.	
(d) Due to includes of 03 consumer goods items in the financial statements twice at the end of the year under review, the consumer goods stock balance had been over stated by Rs. 50,920.	It had been corrected by journal entries.	

1.6.2 Lack of documentary Evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
Due to non-submission of required information, 06 accounting items amounting to Rs. 364,514,047 could not be satisfactorily examined during the audit. .	Will be done as scheduled in the future.	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. 10,448,992 as compared with against the revenue over recurrent expenditure amounted to Rs. 13,881,782 in the preceding year.

2.2 Revenue Administration

Performance of Revenue Collection

(a) Acreage Tax

Audit Observation	Comment of the Sabha	Recommendation
The action had not been taken to collect the outstanding acreage tax of Rs. 105,333 at the end of the year under review. According to the utility Registers this value was Rs.42,606.	Surveys are being carried out to clear the arrears of acreage tax and action is being taken to recover the remaining arrears.	Arrears of income should be recovered promptly.

(b) Rent

Audit Observation	Comment of the Sabha	Recommendation
The actions had not been taken to recover the arrears of rent of Rs. 590,463 at the end of the year under review.	Action will be taken to recover arrears rent.	Arrears of income should be recovered promptly.

3. Operational Review

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 Operating inefficiencies

Audit Observation

The action had not been taken to recover the relevant charge or take legal action relevant to 03 buildings of extent of 1752.1 square meters constructed without proper development license, a building of 102.3 square meters which does not conform to the approved building plan, a building of 1876 square meters bordering Urubokka Oya and a 14.2 meter long and 1.2 meter wide unauthorized bridge across the Oya from the building to the Urubokka main road.

Comment of the Sabha

The validity period of the building plan has expired in the year 2018 and notice has been given on two occasions to extend the period relevant to this construction and the unauthorized builder had been informed to obtain approval for unauthorized construction.

Recommendation

Actions should be taken in accordance with the Gazette notification.

3.2 Procurement Management

Audit Observation

- (a) The purchase of toys for the Urubokka Children's Park owned by the Sabha had not been purchased from the lowest bidder at Rs. 217,944 in the year under review and purchased had been done from a company that had submitted a higher price of Rs. 235,350 without referring to a Technical Evaluation Committee under Section 2: 8: 5 of the 2006 Procurement Guide line.
- (b) Without following the Sections 2: 6: 1 (a) (ii), 2:12, 5: 3: 11 (a), 6: 2: 2, 5: 4: 10 (a) of the 2006 Procurement Guidelines a backhoe machine had been purchased from a private company at a cost of Rs. 14,725,000 during the year under review,

Comment of the Sabha

- Officers were instructed to follow the Procurement Guidelines for future purchases.
- The actions will be taken to follow the provisions of the Guidelines of procurement activities in future.

Recommendation

- Actions should be taken in accordance with the Guide line.
- Actions should be taken in accordance with the Guide line.