

Thihagoda Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Thihagoda 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 Thihagoda 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 Pradeshia 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) The value of the four lands and buildings owned by the Sabha had not been assessed and accounted as at the end of the year under review,	Actions will be taken to correct in preparation of accounts in the 2021 account	Should be accounted correctly.
(b) The total employee guarantee deposit balance of Rs. 57,494 as at the end of the year under review had not been accounted.	Actions will be taken to correct in preparation of accounts in the 2021 account	Should be accounted correctly
(c) Library books valued at Rs. 153,159 purchased in last year had not been accounted and Rs. 153,159 had been credited to the Industrial Credit Account after debiting miscellaneous supply credit accounts incorrectly to correct that error.		
(d) Credit provisions for last year audit fee amounting to Rs.119,025 had not been made Account and to correct this error the miscellaneous supply creditor account was erroneously had been debited Rs. 119,025 and credited same amount to the Accumulated Fund and Deficit Account.		

1.6.2 Non reconciled control account or report

Audit Observation	Comment of the Sabha	Recommendation
There was a difference sum of Rs. 350,415 in between a balance of Rs. 34,167,267 in the value of 04 accounting items in the financial statements and value of Rs. 33,816,852 in relevant utility registers/sub registers	Actions will be taken to correct in preparation of accounts in the 2021 account	Action should be taken to correct the accounts by comparing the changes in the relevant balances.

1.6.3 Lack of documentary evidence for audit

Audit Observation	Comment of the Sabha	Recommendation
Due to non-submission of required information, 05 accounting items amounting to Rs. 86,994,090 could not be satisfactorily examined during the audit.	Detailed schedules will be presented with the final accounts for the year 2021.	Evidence confirming the account balances 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. 16,574,911 as compared with against the revenue over recurrent expenditure amounted to Rs. 5,194,354 in the preceding year.

2.2 Revenue Administration

Performance of Revenue Administration

(a) Assessment

Audit Observation	Comment of the Sabha	Recommendation
Although 07 years have passed since the audit date of 21 February 2021 when the Pradeshiya Sabha area was developed as a developed area, action had not been taken to assess all the properties in the area and collect the assessment tax.	The assessment percentage for the new area has been sent to the Governor for approval. Action will be taken to recover assessment tax	Action should be taken to recover assessment tax expeditiously.

for the third quarter of 2021.

(b) Shop Rent

Audit Observation

The action had not taken to recover the arrears of shop rent of Rs. 146,225 as at the end of the year under review.

Comment of the Sabha

The arrears were a balance of arrears for several years and that arrears were being recovered and legal action would be taken against the arrears.

Recommendation

Arrears of income should be recovered promptly.

(c) Water Charges

Audit Observation

Action had not been taken to recover the outstanding water charges of Rs. 263,638 as at the end of the year.

Comment of the Sabha

Action will be taken to recover the outstanding water charges by conducting mobile services.

Recommendation

Arrears of income should be recovered promptly

3. Operational Performance

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 Operational inefficiencies

Audit Observation

During the sample audit conducted on 23 January 2021, 213 Advertising Board in the Sabha area however Rs. 903,485 had not been recovered from them..

Comment of the Sabha

The money will be collected in the year 2021.

Recommendation

Actions should be taken in accordance with the Gazette notification