

Thissamaharama Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Thissamaharama Pradeshiya Sabha for the year ended 31 December 2020 comprising the balance sheet as at 31 December 2020 and the income and expenditure account, and notes to the financial statements, including a summary of significant accounting policies, was carried out 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 Pradesiya Sabhas Act, No.15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Thissamaharama 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

My opinion is qualified based 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 Sub-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 to be prepared.

1.4 Scope of Audit (Auditor's Responsibility in Auditing 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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 the 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 the Pradeshiya Sabha 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

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- The financial statements of the Pradeshiya Sabha are in consistence with that of the previous year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- The recommendations made by me during the previous year are included in the financial statements presented as per the requirement of Section 6(1)(d)(iv) of the National Audit Act No. 19 of 2018.

1.6 Audit Observations on the Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
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(a) Value of 03 buildings had been stated in the Financial Statements during the year under review as Rs.316,000,000 without making an assessment.	Actions would be taken to correct in the future.	Assets should be account accurately.
(b) The loan instalment payable for the following year of Rs.5,660,286 to the Development of Local Loans Fund had not been declared as a current liability in the Financial Statements even though the Liabilities that should be settled within a year or a period less than that should be declared under as current Liabilities.	Actions would be taken to state the Financial Statement in the future.	Liabilities should be accurately recognized and declare in the Financial Statements.
(c) Capital Expenditure of Rs.2,819,223 of the year under review had been accounted as recurrent expenditure.	Actions would be taken to correct in the future.	Capital Expenditure should be accurately accounted.

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| (d) | Expenditure regarding the year 2019 of Rs.241,349 had not been debited to the creditors and stated as the expenditure of the year under review. | -do- | Expenditure should be accounted accurately. |
| (e) | The Opening Balance of the Creditors had been overstated by Rs.101,958. | -do- | The Creditors should be states accurately. |
| (f) | The balance fuel amount of Rs.135,200 as at 31 December of the year under review had not been stated as assets. | -do- | The assets should be accounted accurately. |

1.6.2 Suspense Accounts

Audit Observation

Comment of the Sabha

Recommendation

The balance of the Suspense Account brought forward since the year 2017 of Rs.108,902 had been settled to the Accumulated Fund without making the proper Journal Entries.

Actions would be taken to correct in the future.

Actions should be taken to recognize and settle the balance of the Suspense Account as soon as possible.

1.6.3 Lack of Documentary Evidence for Audit

Audit Observation

Comment of the Sabha

Recommendation

The necessary information had not been furnished regarding 03 items of accounts accumulated to Rs.355,615 for the audit.

Actions would be taken to prepare the supplementary documents in the future.

The Evidence should be furnished to prove the balances declared in the Financial Statements.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the recurrent expenditure exceeding revenue of the Sabha amounted to Rs. 12,626,145 for the year ended on 31 December of the year under review as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 9,710,039.

2.2 Revenue Administration

2.2.1 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
(a) Rates and Taxes		
i. Actions had not been taken to recover the receivable rates of Rs.3,133,085.	Actions would be taken to recover the balance in the future.	The revenue in receivable should be recovered as soon as possible.
ii. Actions had not been taken the Business Tax receivable of Rs.320,400.	Business of Rs.16,200 had been closed down therefore, actions would be taken to recover the balance.	-do-
iii. Actions had not been taken to recover the entertainment tax revenue of Rs.295,940	A law suit had been imposed on the institution payable.	-do-
(b) Rent		
i. Actions had not been taken to recover the stall rent receivable of Rs.2,602,345.	The Stall owners had been informed and if not paid actions would be taken according to the Act.	The revenue receivables should be recovered as soon as possible.
ii. Actions had not been taken to recover the amount of rent receivable of Rs.243,333 for leasing out the Fair.	The amount that could not be recovered due to the Corona disease had been requested for the permission from the Governor to write-off and the deposits of the lessees with receivable balances had been hold.	-do-
iii. Actions had not been taken to recover the other tax revenue of Rs.172,702.	The permission had been requested by the Governor to write-off an amount of Rs.90,793 and actions would be taken to recover the rest of the amount.	-do-

(c) License Fees

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| i. Actions had not been taken to recover the trade License Fees of Rs.102,250. | Actions would be taken to recover the rest of the amount. | -do- |
| ii. Actions had not been taken to recover the Hoarding Board charges receivable of Rs.101,700 and the other License Fees of Rs.701,067. | Actions would be taken to recover the Hoarding board charges receivable and the permission of the Governor had been requested to write-off the other license fees receivable. | -do- |

(d) Court Fines and Stamp Duty

The Court Fines and Stamp Duty receivable from the Chief Secretary and the Other Officers of the Saba had been Rs.21,366,361.	Actions would be taken to recover the balance receivable amount.	-do-
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3. Operating Review

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act, being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

3.1 Management Inefficiencies

Audit Observation -----	Comment of the Sabha -----	Recommendation -----
(a) The fine of Rs.806,090 as Rs.50 per day for the utilization or residence of buildings without obtaining a Certificate of Conformity according to the Chapter V of the amended Extraordinary Gazette No.1597/8 on 17 April 2009, had not been charged on 11 Building Development Projects.	The fine Rs.50 per day would be charged on the Building Development Plans in the future as shown by the audit.	Actions should be taken according to the Act and the Gazette.

- (b) The rent of the Quarters no.02 owned by the Sabha had been Rs.1,800 according to the assessment carried out on 01 January 2014, even though the 06 years' time of the assessment over lapsed a new assessment had not been carried out. A new assessment for the quarters had been requested. The rent should be charged on the new assessment.
- (c) According to the quality check of the interlock stones, 61 percent of the interlock stones laid from the beginning of the Aloka Lane, Pannegamuwa to the house of Mr.Jayawardana was not in the standard strength, therefore the expenditure of Rs.1,731,840 had been inefficient. 18 Interlock Stones had been taken and checked by the Officers of the Road Development Authority and reported that the Interlock Stones were in the standard strength, therefore the payment had been made. Actions should be taken to lay the Interlock Stones by the Standard in the Estimate.