

Panvila Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Panvila Pradeshiya Sabha including the financial statements for the year ended 31 December 2020 comprising the Statement of financial position as at 31 December 2020, Income and Expenditure Account 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 Provisions of the National Audit Act No.19 of 2018 and with Sub-Section 172 (1) of the Pradeshiya Sabha Act No.15 of 1987 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 Panvila 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 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 scepticism 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.

- 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.
- 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 on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Rs.27,450 that was payable for making water bills books was not included in the creditors value.	Action will be taken to correct it in the year 2021.	Correction should be done when making financial statements for the next year.
(b) Land and Building were overstated due to capitalizing Rs.240.143 under Land and Building which was for developing the road to Haglwatta Community Hall.	Action will be taken to correct it in the year 2021.	Correction should be done when making financial statements for the next year.

1.7 Non – compliances

Non – compliance with Laws, Rules, Regulations and Management Decisions

Occasions of Non – complaine to rules, regulations and Management decisions are as follows.

Refer to Laws, Rules, Regulations and Management decisions	Non - compliance	Comments of the Sabha	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987			
(i) Subsection (vii) and (xxx) of 126	Charge of Rs.303,208 was not collected which was to	Approval was given by the governor to write	Action should be taken according to

		be collected from notice boards in the Sabha boundaries.	off of Rs.303,208 and Rs.122,071 cash which was to be collected and action will be taken to collect Rs.181,136 of arrears cash.	terms of the Act.
(ii)	Section 149	False financial statements were made to pay taxes for 2015, 2016, 2017, 2018 year by a tourist bungalow approved by the Tourism Board which was situated in the boundaries of the Panvila Pradeshiya Sabha.	Action will be taken to inform this institution to show facts regarding this matter by considering the facts shown by the audit and local government investigation reports.	Action should be taken according to terms of the Act.
(b)	Section 22 of Circular No.935/06 dated 06 August 1996	28 perches were given instead of 40 perches when auctioning 399 perches from the land in Palebedda even though a quantity of 10 percent of total land should be separated and transferred to the Sabha when auctioning land pieces in the boundaries of the Sabha.	Future actions will be taken regarding this matter.	Action should be taken according to terms of the Act.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, excess of revenue over recurrent expenditure for the year ended 31 December 2020, amounted to Rs.6,491,664 as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.6,838,528.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

	Audit Observation	Comments of the Sabha	Recommendation
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(a)	Rates and Taxes		
(i)	The arrears rates at the end of year under review was Rs.780,768 and	Future actions are been planned to collect the arrears	Actions should be taken to collect the

	among that the arrears rates from 1 to 5 years was Rs.606,305 and even though there was Rs.89,208 which exceed 5 years, the actions to collect the cash was in a weak state.	cash.	arrears income without delay.
(b)	Shop Rent ----- An arrears of Rs.2,278,000 was there as actions were not taken by any of the shop owners to pay the rent until 31 December 2020 after implementing the estimation dated 23 August 2016 on January 2019.	All action have begun to act legally.	Actions should be taken to collect the arrears income without delay.
(c)	Other income -----		
(i)	The arrears water charges was Rs.708,020 as at 31 December the year under review.	Action will be taken to collect by establishing mobile services.	Actions should be taken to collect the arrears income without delay.
(ii)	At the beginning of the years under review the arrears three wheel park charges was Rs.402,500 and billing for the year was Rs.180,000 and from that only Rs.61,425 and Rs.114,400 respectively was collected in the year under review.	Rs.3,900 has been collect form the arrears as at 31 December 2020.	Actions should be taken to collect the arrears income without delay.
(iii)	There has been arrears Rs.421,675 of three wheeler charges from 104 person carried from previous year and suing has been done only for 24 persons to collect the arrears.	Action has been taken to send letters of notice to pay the arrears before suing to collect the arrears.	Actions should be taken to collect the arrears income without delay.
(iv)	From the arrears advertising charges of Rs.280,199 carried from the previous year, only Rs.10,360 which is 3.7 percent arrears income has been collected during the year.	Rs.122,071 has been written off from the arrears balance by the approval of the governor and action will be taken to collect the balance cash.	Actions should be taken to collect the arrears income without delay.

3. **Operating 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 Section 3 of the Pradeshiya Sabha Act are shown below.

3.1 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
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(a) The total arrears stamp charge balance of Rs.3,444,790 as at 31 December the year under review included account balances of Rs.402,840 relevant 1 year to 5 years from.	Action will be taken to collect the arrears cash.	Actions should be taken to collect without delay.
(b) According to the time analysis done total account balances of Rs.2,333,859 relevant from 1 year to 5 years was there in the totaled Rs.4,953,002 of payable account as at 31 December the year under review and account balances which and account balances which exceeds 5 years was Rs.2,619,143.	Action will be taken to settle in the future.	Actions should be taken to settle without delay.

3.2 Failure to Obtain Income due from Assets

Audit Observation	Comments of the Sabha	Recommendation
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(a) Only 8.5 percent and 5.5 percent of income had been earned even though Rs.4,404,748 and Rs.11,184,177 had been spent respectively to build the Nuckles Babralle Resort and Hulugha viewing room.	The ground floor of the Hulugha waterfall viewing room building had been directed to estimation to give it to People's Bank and upgrade the Nuckles Public Utility Center.	A proper programme should be made to get the income which can be collected from the assets.
(b) Sabha has been failed to earn any income from the previous year by the expense of Rs.1,500,000 to develop the Hulugha weekly fair.	It has been prohibited to keep the fair due to the pandemic situation in the year 2020.	Actions should be taken to earn the income which can be earned by managing the current situation properly.