

Poojapitiya Pradeshiya Sabha – 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Poojapitiya Pradeshiya Sabha including the financial statements for the year ended 31st December 2020 comprising the balance sheet as at 31st December 2020, Income and Expenditure Account, Significant accounting policies and other explanatory information for the year then ended 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 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 Poojapitiya Pradeshiya Sabha as at 31st December 2020, and of its financial performance for the year then ended in accordance Generally accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the facts set out 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 further:

- 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 whenever 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.

- The financial statements of Pradeshiya Sabha are consistent with the preceding year as per the requirement mentioned in Section 6(1)(d)(iii) of the National Audit Act No. 19 of 2018.
- Except the observations in paragraph 1.6.1 (a) of this report, the recommendations made by me during the preceding year as per the requirement mentioned in Section 6(1)(d)(iv) of the National Audit Act No.19 of 2018 are included in the financial statements submitted.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit observation	Comments of the Sabha	Recommendation
(a) No action had been taken to rectify the accounting deficiencies in 1.3.1 (c) pointed out in my report on financial statements for the previous year.	Action will be taken to correct that in the future.	Accounting deficiencies should be rectified.
(b) There was a difference of Rs.2,966,605 in between the balance as per the financial statements and balance as per the source documents of 02 account subjects.	It is informed that the value of the auctioned assets has not been removed and the employee guarantee deposit interest has not been added.	Source documents should be corrected.
(c) Building development cost of Rs.1,463,539 had not been capitalized.	It will be corrected by the journal notes in the year 2021.	It should be accounted correctly.
(d) Payables amounted to Rs.114,837 had not been accounted for as creditors.	It will be corrected by the journal notes in the year 2021.	It should be accounted correctly.

1.6.2 Documentary Evidences not made available for Audit

Audit observation	Comments of the Sabha	Recommendation
Balance confirmations, files and board of survey reports pertaining to 04 account subjects amounting to Rs.9,525,241 had not been submitted for audit.	It is informed that it will be updated correctly.	written evidence required for financial statements should be prepared and submitted to audit

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31st December 2020 amounted to Rs.17,490,733 as compared with the excess of revenue over recurrent expenditure amounted to Rs.16,217,809 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Audit observation	Comments of the Sabha	Recommendation
(a) Rates and Shop rent Rates of Rs.3,082,441 and Shop rents of Rs.455,685 due at the end of the year under review had not been collected.	Action will be taken to recover in 2021.	Revenue in arrears should be collected.
(b) Court fines and stamp duty Court fines of Rs.63,495 and Stamp duty of Rs.14,634,782 due at the end of the year under review had not been collected.	It is informed that a part has been charged.	Revenue should be collected.

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 03 of the Pradeshiya Sabha Act are shown below.

3.1 Delays in Project Activities or Capital work

	Audit observation	Comments of the Sabha	Recommendation
(a)	During the year under review, work on 29 projects worth Rs.11.03 million planned to be carried out with Sabha funds had not been completed.	It is informed that the projects will be completed soon in the coming years.	Projects should be completed immediately.
(b)	The amount of Rs.909,819 received by the Sabha as prizes for winning performance and productivity competitions was retained in the deposit account without being utilized.	It is informed that it is retained for the betterment of the employees.	Cash should be utilized.