

Ibbagamuwa Pradeshiya Sabha – 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Ibbagamuwa Pradeshiya Sabha for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial operations, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information 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 Subsection 172(1) of the Pradeshiya 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 financial statements give a true and fair view of the financial position of the Ibbagamuwa Pradeshiya Sabha as at 31 December 2020, and 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 (SLAuS). 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 of the Sabha.

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the 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 Sabha's internal control.
- Evaluate the 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.
- 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 Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Institution;
- Whether the Sabha has performed according to its powers, functions and duties; and
- Whether the resources of the 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.

- (a) The financial statements presented by the Pradeshhiya Sabha are consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented includes all the recommendations made by me in the previous year 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
(a)	Value of Rs. 13,081,950 pertaining to 05 common blocks of lands received by the Sabha from the land auctions in the year under review and 04 lands included in the register of fixed assets had not been capitalized.	This will be corrected in the ensuing year.	Lands owned by the Sabha should be brought to account.
(b)	Expenditure of Rs. 2,641,675 incurred for the development of the waste yard of the solid waste management centre belonging to the Sabha and Rs. 129,600 spent for the construction of tube well had not been included in the financial statements	This will be corrected in the future.	Expenditure incurred in building development should be capitalized.

1.6.2 Non-reconciled Control Account or Reports

	Audit Observation	Comment of the Sabha	Recommendation
	Due to not updating the Register of Fixed Assets, a difference of Rs. 177,000 was observed between the financial statements and the corresponding reports relating to 02 items of account and action had not been taken to rectify the accounts by reconciling differences of relevant balances.	The balances in the financial statements are correct and some of those values are estimated values. Action will be taken to update the Register of Fixed Assets.	Action should be taken to reconcile differences of the relevant balances and correct them.

1.6.3 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
----- Details required for the audit relating to 06 items of account totaling Rs.1,696,985 had not been furnished.	----- It is informed that some balances are continued to exist over a long period.	----- Evidence in support of the balances shown in the financial statements should be submitted.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 31,845,561 as at 31 December 2020 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 39,197,137.

2.2 Revenue Administration

2.2.1 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
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(a) Of the Rates and taxes deficit amounting to Rs. 4,933,871 existed at the beginning of the year under review, a sum of Rs. 3,812,975 had remained outstanding and a sum of Rs.2,369,716 remained outstanding from the billed amount of Rs. 4,184,858 as at 31 December of the year under review.	Action will be taken for the recovery of arrears.	Outstanding revenue should be recovered expeditiously.
(b) An amount of Rs. 2,488,389 relating to the leasing out of trade stall at the Melsiripura bus stand under prepaid scheme remained outstanding as at 31 December 2020, the date of the audit. Similarly, stall rent of Rs. 556,800 remained outstanding from 08 trade stalls by 31 December of 2020.	Relevant taxpayers were informed to settle the prepayment expeditiously and otherwise, action will be taken to recover the arrears.as per the relevant circular.	Action should be taken to recover the arrears.