

Galgamuwa Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Galgamuwa 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 Galgamuwa 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.

- The financial statements presented by the Pradeshiya 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.
- 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 16 lands and buildings had not been assessed and stated in the financial statements	Action will be taken to include the values of these assets in the financial statements for the year 2021.	Lands and buildings should be identified and brought to account.
(b)	Value of the Meegalawa Water Purification Unit amounting to Rs. 1,350,000 had not been stated under lands and buildings.	Action will be taken to include the values in the financial statements for the year 2021.	Assets should be properly classified.
(c)	Court fines of Rs. 1,136,672 pertaining to the year under review had been understated in the financial statements.	It is informed that action will be taken to obtain correct billings and prepare accounts accordingly in the future.	Revenue should be correctly identified and brought to account.
(d)	Without being accounted for stamp fee relevant to the year under review on the accrual basis, only the stamp fee revenue of Rs. 2,642,748 received in cash during the year had been stated in the financial statements.	Action will be taken to obtain correct billings and prepare accounts accordingly in the future.	Accuracy should be ensured in the process of accounting.

1.6.2 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the Council	Recommendation
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Details required for audit relating to 02 items of account totaling Rs.105,083,923 had not been furnished.	It is acknowledged that the said registers could not be furnished.	Evidence in support of the balances shown in the financial statements should be furnished.

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. 12,186,601 as at 31 December 2020 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 10,641,946.

2.2 Revenue Administration

2.2.1 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
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(a) Rates and tax of Rs. 1,297,672 remained receivable as at the end of the year under review.	It is informed that expeditious action will be taken to recover the arrears.	Action should be taken to recover the arrears.
(b) A sum of Rs. 152,859 out of the billing of lease rent amounting to Rs. 7,233,489 relating to the year under review and Rs. 1,370,111 out of the arrears of lease rent for the preceding year further remained recoverable.	Legal proceedings have been initiated to recover all these arrears.	Action should be taken to recover the lease rent in time.
(c) By the end of the year under review, a sum of Rs. 4,215,199, Rs. 1,194,957 and Rs. 3,447,699 remained recoverable from Public and private institutions in relation to the renting of the Motor Grader, Bulldozer and the JCB machine of the Sabha respectively.	It is informed that further action will be taken to recover the dues further remained recoverable.	Revenue should be recovered in time.

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 Sabhas 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 total value of 06 items of account balances receivable as at 31 December of the year under review was Rs. 114,084,992. According to the age analysis thereon, the balances applicable to the period from 01 to 05 years relating to pre-payments, advances and 6 debtors balances totalled Rs. 8,503,421 and the balances relating to the period exceeding 05 years totalled Rs. 104,722,616.	Action will be taken to recover the dues in the future.	Action should be taken to recover the balances receivable.
(b)	The total value of payable expenditure and industrial debtors, pre receipts and 04 payable deposit balances payable as at 31 December of the year under review was Rs. 128,396,902. According to the age analysis thereon, the balances relating to the period from 01 to 05 years totalled Rs. 110,304,341 and the balances relating to the period exceeding 05 years totalled Rs.18,042,561.	Action will be taken to settle the balances in the future.	Action should be taken to settle the balances payable