

## **Agarapathana Pradeshiya Sabha - 2020**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Agarapathana 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 Agarapathana 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**

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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**

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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)

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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 required by 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 required by 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

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) Value of 05 buildings and 06 public lavatories of the Sabha had not been identified and brought to account and the value of a three - wheeler worth Rs. 462,880 had been omitted from the accounts.	It has been informed that the relevant corrections will be made in the future.	Value of assets should be identified and brought to account.
(b) There was a difference of Rs.1,162,194 between the balance of fixed assets and the balance of the Revenue Contribution to Capital Input Account.	It has been informed that the relevant corrections will be made in the future.	Differences should be identified and necessary adjustments should be made accordingly.
(c) No provisions for audit fees had been made in the accounts for the year under review.	It has been informed that the relevant corrections will be made in the future.	Provisions should be made in the accounts for the expenditure relevant to the year.
(d) Although Rs. 1,594,860 had been stated under the Accumulated Fund and the reserve when presenting comparative information of the previous year on the balance sheet, that value had been stated as Rs. 16,909,166 in the financial statements of the preceding year.	It has been informed that the relevant corrections will be made in the future.	Differences should be identified and necessary adjustments should be made accordingly.

## 1.6.2 Non-reconciled Control Accounts or Reports

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
A difference totalling Rs.484,039 was observed between balances of 05 items of accounts totalling Rs. 7,676,589 included in the financial statements and the balances shown in relevant subsidiary documents / schedules .	It has been informed that the relevant corrections will be made in the future.	Errors should be identified and corrected.

## 1.6.3 Lack of Documentary Evidence for Audit

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
Information required for the audit relating to 05 items of accounts totalling Rs. 3,578,325 had not been furnished.	It has been informed that the relevant corrections will be made in the ensuing year.	Action should be taken to furnish information required for the audit.

## 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. 6,099 for the year ended on 31 December 2020 as against recurrent expenditure exceeding the revenue for the preceding year amounting to Rs. 1,504,768.

### 2.2 Revenue Administration

#### 2.2.1 Performance in Collecting Revenue

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
<b>(a) Rates and Taxes</b>		
i. There was an outstanding balance of Rates amounting to Rs. 1,058,109 as at 01 January 2020. The billed Rates during the year was Rs. 759,873.	Revenue collection has been delayed due to the absence of a permanent Revenue Inspector.	Collection of revenue should be carried out efficiently.

**(b) Court fines and Stamp Duty**  
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Court fines and Stamp Duty due from the Chief Secretary of the Provincial Council and other authorities as at 31 December of the year under review was Rs. 1,191,696 and Rs. 1,839,348 respectively.

It has been informed that a sum of Rs.747,761 has already been received.

Action should be taken to recover the relevant money.

**3. Operating Review**  
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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 Deficiencies in the Contract Administration**  
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<b>Audit Observation</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----
Although the ownership of land was not in the possession of the Sabha, the weekly fair had been constructed and completed on 20 July 2020 at a cost of Rs. 434,840, but there was no access road to the fair and a proper drainage system for water flow.	Observations have been accepted and it was informed that a temporary drain would be constructed.	Action should be taken to establish the ownership of the land.

**4. Accountability and Good Governance**  
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**4.1 Environmental Issues**  
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<b>Audit Observation</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----
Although the validity period of 12 businesses that require to renew their licenses annually had expired since a period of 02 months to 09 years, no action had been taken to obtain a licence. Environmental protection licenses have not yet been obtained for the 13 other businesses that are required to obtain environmental licenses.	It has been informed that red notices have been sent.	Action should be taken in compliance with the National Environmental Act and the regulations made thereunder.