

Pitabeddara Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Pitabeddara Pradeshiya Sabha including the financial statements for the year ended 31 December 2020 comprising the Statement of financial position as at 31 December 2020, Statement of Financial Operations, Statement of Changing Equity, Cash Flow Statement 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 with Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and the provisions of the National Audit Act No 19 Of 2018. 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 Pitabeddara Pradeshiya Sabha as at 31 December 2020, and of its financial performance and its cash flows 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 skepticism 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.

- (a) Financial Statements of the Pradeshia 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.
- (b) 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 regarding the preparation of financial statements

1.6.1. Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) The value of the 26 lands extent of 16 acres, 03 Radd and 42 perches, owned by the council, had not been assessed and accounted.	The assessment reports could not be obtained as there were no legal documents for these lands.	Should be properly accounted.
(b) Equipment worth Rs.310,501 in inventory and consumption had been accounted under Furniture and Fittings.	This item had been in the office for more than 5 years and was accounted under the Furniture and Fittings.	Should be properly accounted.
(c) The value of industrial debt in respect of 142 industries was Rs. 50,666,565 as at the end of the year under review, however, due to the debit provision of Rs. 51,903,213 had been done for this balance, the industrial debt balance had been increased by Rs.1,236,648.	The difference between the account and the sub registers was that the bill value submitted is related to the industries of the Divisional Secretariat.	
(d) The value of industrial credit for 150 industries was Rs. 52,617,657 as at the end of the year under review however, according to Journal Entry No. 76 Rs. 51,903,213 credit provision had been done, so the industrial credit balance had been accounted less by Rs.714,444.	The difference between the account and the sub registers was that the bill value submitted is related to the industries of the Divisional Secretariat.	

1.6.2 Non reconciled control accounts or reports

Audit Observation

There was a difference sum of Rs. 100,806 in between a balance of Rs. 6,043,953 in the value of one accounting items in the financial statements and valeve of Rs. 6,144,759 in relevant utility registers/sub registers

Comment of the Sabha

The difference between financial statements and schedules will be corrected in the future.

Recommendation

Evidence confirming the account balance shown in the financial statements should be submitted.

1.6.3 Lack of Documentary evidence for audit

Audit Observation

Information required for the audit had not been submitted for 06 accounting items amounting to Rs. 2,849,018.

Comment of the Sabha

The relevant sub registers do not exist for a long time.

Recommendation

Evidence confirming the account balance shown in the financial statements should be submitted.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, revenue over recurrent expenditure of the Sabha for the year ended 31 December 2020 amounted to Rs. 7,304,623 as compared with against the revenue over recurrent expenditure amounted to Rs. 4,068,519 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance of Revenue Collection

Audit Observation

There was an arrears of revenue from acreage tax amounting to Rs. 294,775, Shop rent amounting to Rs. 1,428,611 and Fair rent amounting to Rs. 476,738 and Police Check point rent amounting to Rs.185,000 as at the end of the year under review action had not been taken to recover them.

Comment of the Sabha

Action will be taken to recover the arrears immediately.

Recommendation

Arrears of income should be recovered promptly.

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 3 of the Pradeshiya Sabha Act are shown below.

3.1 Operational inefficiencies

Audit Observation

Necessary action had not been taken to legalize or take legal action other than issuing unauthorized notices to the responsible parties regarding 11 unauthorized construction incidents reported 03 incidents in the year 2015, 04 incidents in the year 2016, 01 incidents in the year 2017 and 03 incidents in the year 2019

Comment of the Sabha

Agreed to take legal action

Recommendation

Legalization or legal action should be taken.