

## **Athuraliya 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 Athuraliya 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 Athuraliya 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**

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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**

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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 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)**

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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 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

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The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya 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

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### 1.6.1 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
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(a) At the end of the year under review the Product tax balance amounting to Rs.20,250 had not been accounted.	Actions will be taken to correct in preparing the account for the year 2021.	Should be properly accounted.
(b) The value of 63 books donated to the Thibbotuwa and Wilpita Public Libraries during the year under review had not been calculated and accounted.	} Actions will be taken to correct in preparing the account for the year 2021.	} Should be properly accounted.
(c) Court fine due at the end of the year under review amounting to Rs. 52,500 had been accounted less..		
(d) The amount paid to an officer during the year under review amounting to Rs. 100,000 as staff had not been accounted under Staff Loan account.		
(e) 165 types of non-fixed asset inventory and consumer goods equipment and commodities belonging to Rs. 1080 items worth of Rs 311,360 had been accounted under furniture and Fitting		

## 1.6.2 Non-reconciled Account or Records

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### Audit Observation

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There was a difference of Rs.892,546 due to the financial statements value of Rs. 6,811,863 in 04 account items and the value of Rs. 7,704,409 in the utility register / sub registers.

### Comment of the Sabha

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Comment had not been given.

### Recommendation

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Action should be taken to correct the accounts by comparing the changes in the relevant balances.

## 1.6.3 Lack of documentary evidence for Audit

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### Audit Observation

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Information required for the audit had not been submitted for 06 accounting items amounting to Rs. 160,976,530.

### Comment of the Sabha

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Actions will be taken to submit the evidence.

### Recommendation

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

## 2. Financial Review

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### 2.1 Financial Results

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According to the Financial Statements presented, revenue over recurrent expenditure of the Sabha for the year ended 31 December 2020 amounted to Rs. 2,384,803 as compared with against the revenue over recurrent expenditure amounted to Rs. 172,717 in the preceding year.

### 2.2 Performance of the revenue collection

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#### Audit Observation

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(a) There was an arrears of assessments balance amounting to Rs. 1,545,118 as at the end of the year under review.

#### Comment of the Sabha

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Due to the adverse conditions prevailing in the country, the awareness campaigns required to recover the assessments were carried out at a very low level and the charges were kept at a low.

#### Recommendation

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Arrears should be recovered promptly.

(b) There was an acreage tax arrears of Rs. 54,958 at the end of the year under review,.

Acreage tax and those property owners cannot be accurately identified.

Arrears of Acreage tax should be recovered promptly.

### 3. Operating 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 Operating inefficiencies

##### Audit Observation

Although the Kaluwalage Hena land extent of 01 acre, Rood 02, 11.10 perches belonging to the council area had been auctioned and a one percent fee of Rs. 55,080 had been charged for that, the fee was charged based on the sales value provided by the seller without considering the sale value.

##### Comment of the Sabha

One percent fee was charged after confirming from the persons who bought the plots for the value given in writing by the owners..

##### Recommendation

Actions should be taken in accordance with the Act.

#### 3.2 Environment issues

##### Audit Observation

No formal garbage disposal system had been followed and about 2 tons of garbage collected per day was being dumped informally on a private land in Godapitiya at the end of the year under review.

##### Comment of the Sabha

A pit is being dug and disposed of on a private land in Godapitiya area.

##### Recommendation

The disposal of garbage should be done formally.