

Puttalam Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Puttalam Pradeshiya Sabha for the year 31 December 2020 comprising the statement of financial position as at 31 December 2020, statement of financial operations and the statement of changes in net assets for the year then ended and 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 Sub-section 172(1) of the Pradeshiya Sabha 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 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 Puttalam 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

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 (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 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 (Responsibilities of Auditors 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 exercise 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, 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 Other Legal Requirements relating to Reports

Special provision with regard to the following were included in the National Audit Act No. 19 of 2018.

- (a) The financial statements of the Pradeshiya Sabha were similar to the previous year as per the requirement pointed out in Section 6(1)(d)(III) of the National Audit Act No. 19 of 2018.

- (b) Recommendations made by me during the previous year were included in the financial statements presented in terms of requirements pointed out in Section 6(I) (d) (IV) of the National Audit Act No. 19 of 2018.

1.6 Audit Observations relating to Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation -----	Comments of the Sabha -----	Recommendation -----
(a) The value of construction of solid waste management center had only been brought to account without taking into account the value of land belonging to the Sabha on which the center was situated.	I inform you that action will be taken to bring to the account through journal entries.	Action should be taken to bring into account correctly.
(b) The value of metals amounting to Rs. 115,992 belonging to the Sabha and 33 top tiles and 850 ordinary tiles for which the value was not computed, had been omitted from the accounts and documentation of those stocks had also not been made.	I inform you that action will be taken to bring to the account through journal entries.	Action should be taken for documentation of receipts of assets correctly and in an updated manner.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2020 amounted to Rs.11,079,130 as compared with the excess of revenue over recurrent expenditure of the previous year amounted to Rs.27,946,332.

2.2 Revenue Administration

2.2.1 Performance of the Collection of Revenue

Audit Observations	Comments of the Sabha	Recommendation
(a) Rates and Taxes		
According to the subsidiary registers, arrears of rates and taxes as at the end of the year under review amounted to Rs. 1,610,204 and action had not been taken to recover those arrears.	There was a balance of Rs.433,292 relating to the properties of the Department of Railways out of the balance of arrears of rates and taxes up to 31 December 2020. Action is being taken continuously to recover that amount and I will take prompt action in future to recover the other arrears amount.	Action should be taken to expedite the recovery of arrears amount and the assessment of rates should be made periodically.
(b) Acreage Tax		
Arrears of acreage tax recoverable as at 31 December of the year under review was Rs.706,818 and action had not been taken to recover the above arrears amount.	I inform you that action will be taken for writing bills based on the correct value after rectifying inaccuracies in the Register of Acreage Tax and cut and remove the bills which contained inaccuracies with the approval of the subject Minister. I inform you that recoveries will be made after making inclusion of lands which were not entered in the Register in that manner, in the Register of Acreage Tax freshly.	Action should be taken to expedite the recoveries. Recoveries should be made in accordance with rules and regulations. Further relevant surveys should be carried out.

(c) Rent

Action had not been taken to recover the stall rent dues as at 31 December of the year under review amounting to Rs.1,011,885.

Legal action was taken to recover the relevant stall rent dues. I inform you that action will be taken to recover the remaining arrears balance through legal action after transferring the possession of properties.

Action should be taken to expedite the recovery of income dues.

(d) Court Fines and Stamp Fees

According to the Registers, court fines and stamp fees receivable as at 31 December 2020 from the Chief Secretary of the Province and other authorities amounted to Rs.9,435,358 and Rs.8,714,892 respectively. Action had not been taken to recover the arrears amount.

I inform you that action will be taken in future to obtain the court fines and stamp fees as specified.

Action should be taken to recover the court fines and stamp fees recoverable.

3. Operating Review

Matters observed with regard to fulfilling regulation and administration of facts relating to public health, public utility services and public road, with the protection comfort, convenience and welfare of the people, by the Sabha under Section 3 of the Pradeshiya Sabha Act, are shown below.

3.1 Operating Inefficiencies

Audit Observations

Comments of the Sabha

Recommendation

Leasing of Stalls

Agreements had not been entered into up to 10 March 2021 for 03 stalls leased by the Pradeshiya Sabha and the old agreements were lost.

The old agreements were lost. Even though it was informed to the relevant parties for entering into agreement again. No one has come up to now. Action will be taken in future to renew the relevant agreement.

Important documents should be kept safely. Prompt action should be taken for entering into agreement.