

## **Norwood 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 Norwood 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 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 accompanying financial statements give a true and fair view of the financial position of the Norwood 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

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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

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### 1.6.1. Accounting Deficiencies

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Audit Observation -----	Comment of the Sabha -----	Recommendation -----
(a) Although there were 06 programmes to be submitted for the revenue and expenditure account as per the Pradeshiya Sabha Form 17 in terms of Pradeshiya Sabha Financial and Administrative Rules 161, two additional programmes as services and taxes and collection of waste had been stated during the year under review.	It has been informed that correction will be made in the future.	Action should be taken in terms of Financial and Administrative Rules of Pradeshiya Sabha
(b) One hundred and seventy two items belonging to 19 items of furniture and equipment worth Rs.1,694,999 purchased under local government provisions in the preceding year had not been brought to account.	It has been informed that correction will be made in the future.	Necessary adjustments should be made in the accounts.

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 3,612,569 for the year ended on 31 December 2020 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 4,105,145.

## 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>		
<b>i.</b> Although Rs.2,081,205 billed during the year 2020 should be recovered before 31 December of the year under review, only Rs.1,637,270 had been recovered during the year.	It has been informed that action will be taken to recover the dues in the year 2021.	Collection on revenue should be properly carried out.
<b>ii.</b> A sum of Rs.175,446 had to be collected from 82 water consumers as water supply service charges as at 31 December 2020. Hence, the revenue collection performance of the Sabha was insufficient.	It has been informed that due amount will be recovered in the future.	Action should be taken in accordance with provisions of the Pradeshiya Sabha Act to recover the revenue in arrears.
<b>(b) Court fines and Stamp Duty</b>		
<b>i.</b> Although estimated income of Rs. 2,490,349 was expected as stamp duty and court fines, a sum of Rs.577,188 only had been recovered.	It has been informed that documents for the period from July to December 2020 have not been received.	Action should be taken to recover the revenue.
<b>ii.</b> The court fine due from the Chief Secretary of the Provincial Council and other authorities as at 31st December of the year under review was Rs.1,629,316 and the stamp duty for land transfer was Rs.1,500,000.	It has been informed that documents for the period from July to December 2020 have not been received.	Action should be taken to recover the dues.

## 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 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 Management Inefficiencies

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Audit Observation	Comment of the Sabha	Recommendation
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Although front offices and customer service centres should have been introduced to provide a people friendly service, the Sabha had not taken action accordingly.	It has been informed that the said centres will be established in the future.	Front offices and customer service centres should be established.

### 3.2 Assets Management

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Audit Observation	Comment of the Sabha	Recommendation
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(a) The number of books that had not been returned out of the books obtained as at 31 December 2020, was 406 and officials failed to settle their monetary value.	It has been informed that relevant corrections will be made in the future.	Action should be taken to get back the books or recover the financial loss.
(b) At the back of the location of the Honsi official residence which was handed over to the Norwood Pradeshiya Sabha by the Ambagamuwa Pradeshiya Sabha, another party was constructing a 4 feet height unauthorized wall even by the date of audit on 02 February 2021. Due to this construction, the Sabha had lost about 50 square feet of land.	It has been informed that an action cannot be taken against unauthorized constructions as there is no legal deed for the land.	Action should be taken to formalize the unauthorized constructions.
(c) When a portion of the Ambagamuwa Pradeshiya Sabha area was newly established as the Norwood Pradeshiya Sabha, 23 plots of land had been transferred to the Norwood Pradeshiya Sabha, whereas shortcomings such as lack of deeds of the relevant plots of lands, lack of plans, non-signing of lease agreements and failure to state the assessed value in the agreement could be observed even as at the date of audit test check.	It has been informed that deeds of declaration are being prepared.	Action should be taken to protect the assets owned by the Sabha.

#### **4. Accountability and Good Governance**

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##### **4.1 Environmental Issues**

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###### **Audit Observation**

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It is observed that the amount of garbage annually generated in the area of authority of the Sabha area is around 1080 tons and those had been disposed of to the garbage yard of the Maskeliya Pradeshiya Sabha outside the Sabha area, without being taken action adequately to carry out the tasks such as processing organic manure and producing biogas using garbage. Nearly Rs. 5,168,600 had been spent on waste management in the year 2020.

###### **Comment of the Sabha**

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It has been informed that relevant corrections will be made in the future.

###### **Recommendation**

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Waste management process should be properly implements.