

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Harispaththuwa Pradeshiya Sabha including the financial statements for the year ended 31st December 2020 comprising the balance sheet as at 31st December 2020, Income and Expenditure Account, Significant accounting policies and other explanatory information for the year then ended 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 Harispaththuwa Pradeshiya Sabha as at 31st December 2020, and of its financial performance for the year then ended in accordance Generally accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the facts set out 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 scepticism throughout the audit. I further:

- 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 whenever 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) The financial statements of Pradeshiya Sabha are consistent with the preceding year as per the requirement mentioned in Section 6(1)(d)(iii) of the National Audit Act No.19 of 2018.
- (b) The recommendations made by me during the preceding year as per the requirement mentioned in Section 6(1)(d)(iv) of the National Audit Act No. 19 of 2018 are included in the financial statements submitted.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The fixed deposit interest of Rs.500,548 for the year under review had been accounted twice.	It is informed that action will be taken to correct the fixed deposit interest income.	Fixed deposits should be properly accounted for
(b) Industry creditor payable amount had been understated by Rs 845,732.	It is informed that action will be taken to correct the balance.	It should be properly accounted for
(c) The construction cost of the building at Rs.309,123 had not been capitalized.	It is informed that the fixed assets will be properly accounted for.	Assets should be correctly accounted for.
(d) The value of the library building had been overstated by Rs.7,803,000.	It is informed that the fixed assets will be properly accounted for.	Assets should be correctly accounted for.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
The required schedules for 02 account subjects amounting to Rs. 1,117,932 had not been submitted for audit.	It is informed you that Action will be taken to prepare the schedules correctly in the future.	Written evidence should be submitted for financial statement balances

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31st December 2020 amounted to Rs.46,367,713 as compared with the excess of revenue over recurrent expenditure amounted to Rs.58,435,147 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Rates, Taxes and Rent Assessments, garbage taxes and shop rent due at the end of the year under review of Rs.11,351,949, Rs. 136,000 and Rs.151,750 respectively had not been collected.	It is informed that will arrears be collected by mobile services.	Action should be taken to collect income.
(b)	Court fines and Stamp duty Court fees of Rs.1,079,335 and Rs.83,391,002 stamp duty due at the end of the year under review had not been collected.	A portion has been received and the other will be charged.	Action should be taken to collect income.
(c)	Other income Three-wheeler fares of Rs.1,234,850 and billboards of Rs.83,500 due at the end of the year under review had not been collected.	It is informed that action will be taken to recover the arrears and remove the boards.	Action should be taken to collect income.