

## **Alawwa 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 financial statements of the Alawwa Pradeshiya Sabha for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial operations, cash flow statement for the year then ended and a summary of 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 Subsection 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 financial statements give a true and fair view of the financial position of the Alawwa Pradeshiya Sabha as at 31 December 2020, and 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 (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**

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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 of the Sabha.

#### **1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the 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 Sabha's internal control.
- Evaluate the 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.
- 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 Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Institution;
- Whether the Sabha has performed according to its powers, functions and duties; and
- Whether the resources of the 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.

- (a) The financial statements presented by the Pradeshiya Sabha are consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of 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) A sum of Rs. 10,968,377 spent for the development of 16 lands and buildings owned by the Sabha as at 31 December of the year under review had not been capitalized.	Action will be taken to account for this in the preparation of financial statements,2021.	Expenditure incurred on the development of lands and buildings should be capitalized.
(b) Two lands containing 03 Rood 31.3 Perches received from the land auctions in 1996 and 2011 had not been brought to account.	Action will be taken to account for this in the preparation of financial statements,2021.	Lands should be recognized and brought to account.
(c) Stamp fees of Rs.21,910,000 pertaining to the year under review had been understated in the accounts and receivable stamp fees had not been brought to account.	Action will be taken to account for this in the ensuing year.	Accuracy should be ensured in the accounting process.

### 1.6.2 Contingent Liabilities

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Audit Observation	Comment of the Sabha	Recommendation
Four parties had instituted court cases against the Sabha as at 31 December of the year under review for filling of paddy lands and relating to the right of lands and those had not been disclosed in the financial statements. A sum of Rs. 143,480 out of the Sabha funds had been spent for this purpose.	It is informed that action will be taken to disclose particulars on the pending cases in the financial statements prepared in the future.	Contingent liabilities should be disclosed in the financial statements.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 8,521,360 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. 6,520,211.

### 2.2 Revenue Administration

#### 2.2.1 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
(a) Rates and taxes of Rs. 1,009,679 further remained recoverable by the end of the year under review.	Programmes for the collection of revenue in arrears could not be implemented successfully due to the Corona pandemic situation that prevailed throughout the country.	Action should be taken to recover the revenue in arrears on time.
(b) Court fines totaling Rs. 2,189,000 and stamp fees totaling Rs.37,064,300 remained receivable as at 31 December 2020 from the Chief Secretary of the Provincial Council and the other officers respectively.	Action will be taken to recover the dues expeditiously.	Action should be taken to recover the relevant monies by the Sabha.

## 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 Sabhas 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

Audit Observation	Comment of the Sabha	Recommendation
Value of payable industrial creditors, pension and deposit balances as at 31 December of the year under review totaled Rs. 29,440,490. According to the age	Action will be taken to settle the balances further remained payable.	Action should be taken to settle the balances payable.

analysis thereon, the account balances relevant to the period from 01 to 05 years totaled Rs. 1,646,683 and the account balances continued to exist for more than 05 years totaled to Rs. 6,605,439.

### 3.2 Deficiencies in the Contract Administration

Audit Observation -----	Comment of the Sabha -----	Recommendation -----
<p>(a) A sum of Rs. 5,041,154 had been spent for the construction of a Drinking Water Project for Maragalkanda Village under the Special Needs Village Development Program for the year 2018. Although the target of the project was to supply water to 125 families living in the area by October 2018, no action has been taken to provide water to the people in the area despite a lapse of nearly 02 years from the commencement of the project as at 15 August 2020. Two years of warranty period of the water motor which was installed at Rs. 324,000 and two water storage tanks with a storage capacity of 10,000 liters had expired without being used.</p>	<p>It is informed that the approval of the Finance Commission has been received for the provision of Rs. 3,200,000 for the pipe laying project for the year 2021 and as such, the work on the project can be completed within this year. Residents of the area have set up a water committee and they use water from the well by filling the storage tanks with water using the installed water motor and fixing a distribution tap near the tanks</p>	<p>Action should be taken to provide the expected benefits of the project to the public.</p>
<p>(b) Under the Wayamba Development Provisions for the year 2018, a sum of Rs. 8,393,022 had been paid to develop Wewalakanda Mella road by laying interlock paving blocks. It was observed during the physical inspection of the road that an area of 18-20 square meters (.8 + 9 + 1/3) of the road where the sidewall had been constructed along the relevant road with 2,672.33 square meters was sunk and protruded to the side.</p>	<p>This sunken section of the road had already been heavily damaged at the time of the construction. This road is also used as a tank bund as there is a tank on one side. Herein, the leakage of moisture into the road cannot be prevented when the tank is full of water.</p>	<p>Constructions should be carried out in the proper standard.</p>