

## **Giribawa 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 Giribawa 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 Giribawa 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 skepticism 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)	Revenue amounting to Rs.1,302,010 had been understated with respect to two items of revenue in the year under review.	Deficiencies pointed out by the Audit are agreed upon. Corrective measures will be taken in the year 2021.	Revenue should be identified and brought to accounts correctly.
(b)	The value of the cemetery building in Thambutta owned by the Sabha had been overstated by Rs.30,000. The sum of Rs.1,973,039 incurred on the renovation of community hall in Giribawa had not been capitalized.	Deficiencies pointed out by the Audit are agreed upon.	Expenses on the renovation of buildings should be brought to accounts correctly.

### 1.6.2 Non-reconciled Control Accounts or Reports

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	Audit Observation -----	Comment of the Sabha -----	Recommendation -----
	A difference of Rs. 4,462,941 was observed between the values shown in the financial statements and corresponding reports with respect to 08 items of account. Action had not been taken to correct the accounts by reconciling the difference.	Corrective measures will be taken through journal entries in this year.	Differences in the balances should be reconciled and the accounts should be corrected.

### 1.6.3 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
The Audit had not been provided with information relating to 02 items of account with balances totalling Rs. 1,078,390.	Deficiencies will be corrected in due course.	Evidence verifying the balances shown in the financial statements should be furnished.

## 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. 1,356,863 as at 31 December 2020 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 2,168,824.

## 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 Performance

#### Solid Waste Management

Audit Observation	Comment of the Sabha	Recommendation
As waste had not been collected by the Sabha, attention had not been drawn on solid waste management. However, it was observed that non-degradable items such as, plastic bottles, polythene, and glass bottles had been littered around roads. The Sabha had not considered to apprise the dwellers in the locality of methodology used for the disposal of non-degradable waste.	The deficiency pointed out by the Audit is agreed upon. Attention has been brought on the methodology to be used in the disposal of non-degradable waste generated by the dwellers in the locality.	The degradable and non-degradable waste should be disposed of properly.

### 3.2 Management Inefficiencies

	Audit Observation -----	Comment of the Sabha -----	Recommendation -----
(i)	The value of industrial debtor balance that remained receivable as at 31 December of the year under review amounted to Rs. 40,976,144, and a balance of Rs. 4,832,329 that had remained unrecovered over a period of 1-5 years, included therein.	Action will be taken for the recovery of monies receivable.	Action should be taken for the recovery of receivable balances.
(ii)	The value of creditors' balances and sureties payable as at 31 December of the year under review totaled Rs. 42,148,793. According to the age analysis thereon, the value of account balances relating to a period of 1-5 years, totaled Rs. 5,739,299.	The deficiencies pointed out in the audit are agreed upon. It is informed that action will be taken in due course to rectify that balance.	Measures should be taken to settle the balances payable.