

Karandeniya Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Karandeniya Pradeshiya Sabha including the financial statements for the year ended 31 December 2020 comprising the Statement of financial position as at 31 December 2020, Statement of Financial Operations, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 the 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 Karandeniya 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 (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 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, 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.

- Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
<p>(i) Although the amount paid on 15 May 2020 for the construction of the storage room and record room belonging to the Pradeshiya Sabha was Rs.465,727, it was accounted as Rs.589,024.</p> <p>(ii) The credit provision had not been made for the contributions amounting to Rs.12,500,433 payable to the Local Government Pension Fund as at 31 December of the year under review.</p> <p>(iii) Under the Pura Neguma project a toilet had been constructed at Uragasmanhandiya by a cost of Rs. 34 lacs. Although it had been handed over to the Sabha on 15 May 2015 and its value was not accounted as assets under Land and Buildings.</p> <p>(iv) Revenue received from stamp fees of Rs.35,280,820 and court fines of Rs.1,637,766 for the previous year had been taken into account as income for the year under review.</p>	<p>will account correctly in the future.</p>	<p>Should be accounted correctly.</p>

1.6.2 Non reconciled Account or Records

Audit Observation	Comment of the Sabha	Recommendation
There was a difference sum of Rs.297,846 in between the balance value of 02 accounting items in the financial statements and balance value in relevant utility registers and sub registers as at 31 December of the year under review.	Will resolve these differences have been come from previous years.	Differences need to be identified and corrected.

1.6.3 Lack of documentary evidences for audit

Audit Observation	Comment of the Sabha	Recommendation
The information required for the audit had not been submitted in relation to 05 accounting items amounting to Rs.114,427,051.	Assets are inspected and arranged to be documented annually.	Evidence confirming the account balance shown in the financial statements should be submitted.

1.7 Non compliances

Non compliances with laws rules and regulations

Reference to laws rules regulations	Non compliance	Comment of the Sabha	Recommendation
Financial Regulation 570,571 and 572 of the Democratic Socialist Republic of Sri Lanka	The amount deposited during the period from 2016 to 2018 was Rs.778,056 over a period of 02 years and those deposits had not been taken in to the income.	will refer to the Sabha and obtain the approval to take the revenue.	Actions should be taken in accordance with the Financial Regulation.

2. Financial review

2.1 Financial result

According to the Financial Statements presented, revenue over recurrent expenditure of the Sabha for the year ended 31 December 2020 amounted to Rs. 21,578,847 as compared with against the revenue over recurrent expenditure amounted to Rs. 3,190,245 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance of revenue collections

Audit Observation	Comment of the Sabha	Recommendation
(a) Rates and Tax		
(i) Rate		
The action had not been taken to recover the arrears of assessment tax revenue of Rs.3,926,174 for the year under review.	The action will be taken to recover the arrears of assessment in the future.	The action should be taken to recover the arrears of assessment in the future.
(ii) Water Tax		
The action had not been taken to recover Rs. 1,332,550 arrears of water tax during the year under review.		
(b) Shop Rent		
The action had not been taken to recover the rent arrears of Rs. 5,792,103 by the last day of the year under review.	Action will be taken to recover the arrears money	Action should be taken to recover the arrears of income.
(c) Court fines and Stamp duty		
Court fine of Rs. 3,549,050 and stamp fees of Rs. 35,736,248 had not been collected as at 31 December of the year under review.		

3. Operational Review

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 3 of the Pradeshiya Sabha Act are shown below.

3.1 Management Inefficiencies

Audit Observation

Comment of the Sabha

Recommendation

(a) Maintenance of Street Lamp

During the year under review, the Sabha had spent Rs. 1,902,153 from the Council fund for the purchase of street lamp equipment. However, due to non-agreement with the Ceylon Electricity Board, the maintenance cost of street lamps could not be reimbursed.

The necessary steps are being taken to enter into an agreement with the Electricity Board in the future.

Registers should be maintained in a proper manner

(b) Inspection of Industrial

Although the contractor had been paid Rs. 304,562 on 30 January 2020 for the renovation of the Meegaspitiya Community Hall and the work had been abounded by the contractor without finished.

80 percent of the payment has been made for the relevant work and the remaining work has not been completed and the relevant farmers' organization is being black listed.

Action should be taken to complete the relevant work.