

Akurana Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Akurana Pradeshiya Sabha including the financial statements for the year ended 31 December 2020 comprising the Statement of financial position as at 31 December 2020, Income and Expenditure Account 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 Provisions of the National Audit Act No.19 of 2018 and with Sub-Section 172 (1) of the Pradeshiya Sabha Act No.15 of 1987 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 Akurana 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 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) 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.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018 (Except for the observations recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) A value of Rs.345,000 was not capitalized that has been spent to develop buildings of the Sabha on 04 occasions in the year under review.	Action will be taken to correct un the year 2021.	Amounts spent to develop fixed assets should be capitalized.
(b) Due to without approaching any agreement and showing Rs.1,903,800 unfulfilled projects in the year under review as development projects creditors, that account and capital expenditure account was overstated in the financial statements.	Action will be taken to correct in the year 2021.	The value of projects that have not fulfilled or not approached to agreements must not be capitalized.
(c) Action was not taken to account the building that has 05 rooms constructed in the Ambalawatta land that has an estimated value of Rs.2,683,000 and, the ayurveda building and the health center building situated in this land were not estimated and accounted.	Action will be taken to capitalize the value of this land after the ownership is cleared.	All the buildings owned by the Sabha should be estimated and accounted.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
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There was a difference of Rs.325,713 between the total amount of Rs.229,694,470 in relating to 03 subjects of accounts in the financial statements and the balance of Rs.229,586,239 shown in the source documents.	Action will be taken to correct the account by correct journal entries.	Accounts should be corrected by comparing the differences.

1.7 Non - compliances

Non – compliance with Laws, Rules, Regulations and Management Decisions

Occasions of Non – compliace to rules, regulations and management decisions are as follows.

Refer to Laws, Rules, Regulations and management decisions	Audit Observation	Comments of the Sabha	Recommendation
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(a) Section 52 of Pradeshiya Sabha Act No.15 of 1987	Sabha has only taken actions relating to only 10 unauthorized constructions out of 25 unauthorized constructions that has been reported as at 15 September of year 2020.	Needed action has been taken relating to unauthorized constructions.	Action should be taken according to the terms of the Act relating to unauthorized constructions.
(b) Circular No.07 of The Commissioner of Local Government dated 31 July 2013.	As at year 2020, 570 trishaws has been registered from 29 trishaws parks by the Sabha and Rs.1,543,000 arrears annual charges were due as at the end of year under review.	Rs.514,400 has been collected as annual charges.	Action should be taken to collect charges from all registered three wheelers.
(c) State Administration Circular No.05/2008 dated 06 February 2008 Annex (a) of 1.4 paragraph.	Action or follow – up was not done according to Circular relating to 15 out of 64 public complaints that the Sabha has got as at September year 2020.	This situation has arisen due to delay of a doing a field inspection because of covid danger situation.	Action should be taken according to the Circular relating to public complaints received for the Sabha.

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 31 December 2020, amounted to Rs.23,626,331 as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.18,384,678.

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	Comments of the Sabha	Recommendation
(a) Only Rs.206,225 and Rs.9,648 tax has been collected respectively from financial statements that were prepared falsely instead of the financial statements that were presented for the tourist Board which were prepared legally true for two private institutions situated in the Sabha area.	Even though inquiries were made to confirm the annual account reports that was submitted to Tourist Board and a copy of confirmed annual report that has been submitted to Tourist Board, due to not confirming those reports action was taken to collect 1 percent tax based on the financial statements submitted to the Pradeshiya Sabha by relevant institutions.	Action should be taken to collect the correct tax revenue after taking action to get the true financial statements and confirming that they are true.
(b) Rs.414,650 was paid from the year 2004 to 31 December 2020 for 09 court cases filed by other parties based due to not doing a correct effective feasibility study relevant for development activities done by the Sabha.	Access for ending the judicial proceedings has been approached.	Action should be done according to rules, regulations and development activities should be done with an effective feasibility study.

3.2 Operational Inefficiencies

Audit Observation

The Sabha has constructed an Ayurveda building 5 stalls which has an estimated value of Rs.2,683,000 by spending funds of the Health Ministry without approving plans and without a proper legal acquisition of a land that was transferred by a private party on 04 December 1991.

Comments of the Sabha

Accept that there had not been a proper acquisition.

Recommendation

Constructions should be done by approving the plans and legally acquiring the land.

3.3 Human Resource Management

Audit Observation

Approved carder of the Sabha as at 31 December 2020 was 84 and there was 25 vacancies and 02 excess employees in the approved and actual carder search and needed actions were not taken to settle those problems.

Comments of the Sabha

Two vacant positions has been filled and relevant institutions has been informed to fulfill 04 vacant positions and recruitments are done for other positions that should be recruited and excess employees are the people who got appointments from Department of Local Government.

Recommendation

Suitable actions should be taken relevant to excess employees and to fill the vacancies.