

Aranayake Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Aranayake 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 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. 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 Aranayake 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

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- (a) The financial statements of the Pradeshiya Sabha presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the Act.
- (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 Act.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
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(a) Even though value of machinery and equipment as at the end of year under review was of Rs.9,660,483. A sum of Rs. 6,194,348 has been under accounted due to the accounted value of Rs. 3.466,135.	Informed that further action will be taken by appointing Committee according to recommendations in board of survey report.	Action should be taken to account the correct value of the assets.
(b) Even though value of compactor has been identified as Rs. 8,500,000 and Rs. 2,490,398 has been under accounted due to account as a Rs. 6,009,602.	Informed that action will be taken to correct by finding the difference.	Action should be taken to account correct value of the assets.
(c) Even though Interest received of Rs. 1,312,013 at maturity of fixed deposits have been reinvested. Instead of adding to the invested amount, that has been shown as interest receivable in the accounts.	That has been done due to non-receiving of the renewal notice. Informed that it will be accounted as investment after receiving renewal certificates.	Investment should be correctly accounted.
(d) A sum Rs. 3,527,984 receivable stamp duty balance relating to the year 2019 and stamp duty schedules of the 3 months to be further received. Stamp duty over provision of Rs. 10,217,620 in the year 2019 has been written off to the cumulative fund.	Accounting was done according to the information given by the subject officers and account will be prepared by obtaining the correct information relevant for the year 2021.	The correct value of receivable stamp duty should be obtained prior to write off of the over provision.

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| (e) | Even though the value of 424 flags donated by the Ministry of Finance in the year 2011 have been accounted as Rs. 469,928 under the Furniture and Fittings and a sum Rs.123,482 has been over accounted due to the value of physical balance was Rs. 346,446. | Acknowledged that value was accounted as per stated in the letter of Ministry of Finance. | Action should be taken relating to the deficiencies by searching the reasons for variations. |
| (f) | Machinery and Equipment account and Revenue contribution application account to capital account has been under stated by the same quantity due to the under stated the value of CCTV camera installation expenditure by Rs. 20,000 in the year under review. | Action will be taken to rectify the account when prepare the accounts for the year 2021. | Account should be rectified. |

1.6.2 Unreconciled Control Accounts or Records

----- Audit Observation -----	----- Comments of the Council -----	----- Recommendation -----
A difference of Rs. 9,702,262 was observed since the value as per the financial statements pertaining to 09 account subjects, was amounted to Rs.150,696,634 and as per the schedules, the value was Rs.157,832,514.	It is difficult to find out the difference in the subjects of Staff loan, advanced and library book and informed that action will be taken to correct by further investigating of the all balances in future.	Action should be taken to correct by identifying the differences.

1.6.3 Suspense Accounts

----- Period in suspense -----	----- Comments of the Council -----	----- Recommendation -----
Without adjusting suspense account balance of Rs. 631,350 coming from the year 2001 was stated in the financial statement.	Action will be taken to write off in future due to unavailable of required documents within the Sabha to settle.	Required information should be found out to settle or written off according to the formal procedure.

1.7 Non Compliances

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

Reference to Laws, Rules Regulations etc. -----	Non-compliance -----	Comments of the Council -----	Recommendation -----
Financial Regulations of the Democratic Socialist Republic of Sri Lanka, Financial Regulation 571 (3)	A sum of Rs. 111,707 construction deposit and 13 mixed deposits which exceeded 2 years have not been settled.	Informed that the subject officer will be informed regarding this.	Action should be taken in terms of the Financial Regulations.

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. 12,458,915 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 11,815,737 in the preceding year.

2.2 Revenue Administration -----

Performance in Revenue Collection -----

Audit Observation -----	Comments of the council -----	Recommendation -----
(a) Rates and Taxes -----	.	.
(i) The balance of rates outstanding amount was of Rs. 226,711 as at the end of the year under review.	Informed that action will be taken to recover rest of due amount.	Action should be taken to recover dues.
(b) Rent -----		
The house rent due was Rs. 109,015 at the end of year under review.	Over amount has been documented due to the error of a subject officer and action will be taken to write off it.	Formal procedure should be followed for writing off after confirming that has not been available a recoverable amount.

(c) Court fines and stamp fees

The balance exceeded 5 years of court fines due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2020 was amounted to Rs.50,000 and stamp fees was Rs. 543,835.

Informed that action will be taken to recover over 5 year court fines and stamp fees.

Overdue balance should be recovered soon.

3. Accountability and Good Governance

Environmental Observations

Audit Observation

Comments of the Council

Recommendation

Due to the Sabha has not a suitable land for disposing garbage. A sum of Rs. 840,000 has been paid for a private land for the year 2020. Disposal of 1-1.5 ton daily collected garbage in the area was done only by digging holes in this land and Attention has not been focused to produce compost from the garbage by selecting of the suitable land.

Waste management project cannot be implemented in the obtained land on annual rental basis and action will be taken to taken over Debathgama land in the Kalugala Grama Niladari division.

A Permanent solution must be reached with regard to disposal of the garbage.