

Kolonna Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kolonna 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 including 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 Sub-section 172 (1) of the Pradeshiya Sabha 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 accompanying financial statements give a true and fair view of the financial position of the Kolonna 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 based 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 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.

1.4 Scope of Audit (Auditor's Responsibility in Auditing 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 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 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 the Pradeshiya Sabha 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 are in consistence with that of the previous year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act No 19 of 2018.

- (b) The recommendations made by me during the previous year are included in the financial statements presented 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

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The machinery and equipment capitalised from the year 2007 amounting to Rs.7,072,500 had been capitalised again in the year under review under motor vehicles and cart account.	It has been informed that, action will be taken to rectify in preparing accounts for the year 2021.	The error of double counting should be rectified.
(b) The value of buildings completed during the year under review was over-capitalised at Rs.4,335,345.	It has been informed that, action will be taken to rectify in preparing accounts for the year 2021.	Accounts should be adjusted and corrected for over capitalised value.
(c) A sum of Rs.1,919,242 incurred for development of play ground in the year under review had not been capitalised.	It has been informed that, action will be taken to rectify in preparing accounts for the year 2021.	Action should be taken to capitalise all assets.

1.6.2 Unreconciled Control Accounts

Subject	Comments of the Sabha	Recommendation
According to the financial statements, the value of an item of accounts had been Rs. 5,462,744 while according to the schedules/ reports the value had been Rs. 31,175,072 and as such the difference had been Rs. 36,637,816.	It has been informed that, further study will be done in this regard and steps will be taken to prepare an accurate cash flow statement in the year.	The balance in the cash book and the cash balance shown in the statement of financial position should be equal.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha, for the year ended on 31 December 2020 amounted to Rs.4,374,606 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.5,057,885.

2.2 Revenue Administration

2.2.1 Performance in Collection of Revenue

Audit Observation

Comments of the Sabha

Recommendation

Other Revenue

Advertisement hoarding charges receivable amounting to Rs.104,550 for the year under review had not been recovered.

It has been informed that, a sum of Rs. 104,550 had not been recovered for the year 2020.

The revenue relating to the year should be recovered promptly.

3. Operating Review

The matters observed in respect to the activities that should be carried out by the Sabha, such as regularise and control over the matters of public health, public utility services and thoroughfares and the comfort, facilities and will being of the people under Section 3 of the Pradeshiya Sabha Act are given below.

3.1 Procurement Management

Audit Observation

Comments of the Sabha

Recommendation

The proposal to purchase the necessary equipment for the maintenance of street lights was passed at the monthly meeting held on 12th March 2020 and accordingly bids had been invited from 04 institutions. The General meeting had decided on 11 June 2020 to purchase the relevant items from the institution who quoted the lowest bid and the goods had been ordered accordingly. However presenting a defunct motion at the special meeting held on 11 June 2020 to amend the decision taken at the monthly General meeting held on 11 June 2020, the resolution was passed to purchase street lighting equipment from a private company that has not submitted the bids and street lamps equipment amounting to Rs.560,430 had been purchased.

It has been informed that, action will be taken to avoid such errors in the future and the members of the Procurement Committee were informed about this.

When purchasing goods and services action should be taken according to the Procurement Guidelines.

4. Accountability and Good Governance

4.1 Environmental Problems

Audit Observation

A cost of Rs.2,288,235 and 06 employees of the staff and 02 vehicles had been deployed to dispose 216 metric tons of solid waste in the authoritative area of the Sabha during the year under review. But those activities had not been executed in an eco-friendly way.

Comments of the Sabha

It has been informed that, a sum of Rs. 02 million had been allocated to the institution for the year 2020 under solid waste component of the Department of Local Government and action will be taken to obtain machinery and facilities for the compost yard by using above amount.

Recommendation

Action should be taken to obtain provisions and to execute the proposed waste management project.