

Angunakolapelessa Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Angunakolapelessa Pradeshiya Sabha for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2021 and the income and expenditure account, and notes to the financial statements, including a summary of significant accounting policies, 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 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 accompanying financial statements give a true and fair view of the financial position of the Angunakolapelessa Pradeshiya Sabha as at 31 December 2021, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

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 Practices, 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	Comment of the Sabha	Recommendation
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(a) The salary paid for the permanent staff and the reimbursed salary by the Department of Provincial Council had been Rs.29,471,188 and Rs.27,104,826 respectively for the year under review, therefore the amount receivable of Rs.2,366,362 had not been accounted.	Action will be taken to account the amount of receivable salary reimbursement in the financial statements for the subsequent year.	The amount of receivable salary reimbursements should be accounted.
(b) The amount of miscellaneous income of Rs.707,066 received from the year 2012 to 2019 had been recognized as deposits without recognizing it as income therefore the accumulated fund had been understated as at 31 December of the year under review.	An amount of Rs.106,000 had been regulated in the year 2022 and the rest of the amount would be recognized and taken into income accurately.	The deposits over lapsed should be regulated.
(c) The loan instalment repayment of Rs.264,228 had been stated under the investment activities in the Cash Flow Statement as Rs.537,788 without stating it under the financial activities therefore it had been overstated by Rs.273,560.	The loan instalment repayment would be settled by the financial statement for the subsequent year.	The Cash Flow Statement should be accurately prepared.

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| (d) | 33 items of stock and Machinery and Equipment accumulated value of Rs.163,950 had been stated as Furniture and Fittings. | It had been stated Machinery and Equipment under Furniture and Fittings erroneously and it would be corrected by the financial statements for the subsequent year. | The assets should be accurately categorized and stated. |
| (e) | The Court Fines receivable as at the end of the year under review had been overstated by Rs.165,417. | An inquiry would be made from the Department of Provincial Revenue and adjustments would be done in the financial statements for the subsequent year on the response they make. | The balance receivable should be recognized accurately and stated. |
| (f) | The Street Lamps maintenance expense of Rs.160,944 that could not be recoverable because of not making the agreement for the year under review with the Ceylon Electricity Board had been stated as receivable balance. | Actions would be taken to make it correct by the financial statements for the subsequent year. | The balance receivable should be recognized accurately and stated. |
| (g) | Capital Expenditure of Rs.73,300 had been stated as recurrent expenditure for the year under review therefore the capital expenditure had been understated. | The Capital Expenditure of Rs.73,300 had been erroneously stated as recurrent expenditure. | The Expenditure should be accurately categorized. |
| (h) | The expenditure regarding the preceding year of Rs.74,925 had been stated as the expenses for the year under review. | It had been erroneously stated as expenditure for the year under review. | The Expenditure should be accurately categorized. |

1.6.2 Unreconciled Control Accounts

Audit Observation

There was a difference of Rs.3,885,649 relevant for 05 items of accounts aggregating to Rs.23,210,305, between the relevant balances as per the financial statements and the balances as per the corresponding reports.

Comment of the Sabha

Actions would be taken to settle the balance in the future financial statements.

Recommendation

The differences of the relevant balances should be reconciled and corrected.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha amounted to Rs. 3,979,500 for the year ended on 31 December of the year under review as compared with the corresponding recurrent expenditure exceeding the revenue for the preceding year amounting to Rs. 531,501.

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 Sabha 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 Deficiencies in Contract Administration

Audit Observation	Comment of the Sabha	Recommendation
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Sabha had been prepared the expenditure reports including the overpayments of Rs.1,467,273 on the estimates prepared without using the accurate rates on 08 industries, not used the accurate measurements and not used favourable rates for the government.	The Estimates had been made considering the nature of the location, the ability to acquire the necessary resources and used the most suitable measurements and actions would be taken to settle the bills only for the completed work.	The Over billed amount should be recovered.