

Akurana Pradeshiya Sabha – 2021

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 2021 comprising the Statement of Balance sheet as at 31 December 2021, 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 and 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 financial statements give a true and fair view of the financial position of the Akurana 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

I expressed qualified opinion 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 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 National Audit Act, No. 19 of 2018.
- (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 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
Due to accounting of 03 Projects with unfinished value of Rs.855.000 as Project creditors and capital expenditure, capital expenditure and Project creditors had been overstated by that amount in the financial statements.	As this was essential to fulfil on public demand it had been stated as Creditors and at present agreement had been entered into.	According to the work reports made by the technical officer after completion of work, only the finished value should be accounted as creditor.

1.6.2 **Documentary Evidences not made available for Audit**

Audit Observation	Comments of the Sabha	Recommendation
03 asset subjects of Rs.23,853,904 shown in the financial statements could not be satisfactorily verified during the audit due to non-submission of the fixed asset register and schedules.	It had been informed that the fixed assets register and Schedules were submitted for audit.	All information relevant to the audit should be submitted along with source documents prepared in the prescribed format.

1.7 Non- Compliances

Non-compliance with Laws, Rules and Regulations etc...

Following are the instances of non-compliance with laws, rules and regulations observed during sample audits

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
Urban Development Act No. 41 of 1978	Although 10 percent of the total amount of the land should be set aside for public purposes and its control should be handed over to the concerned regional local authority when plotting and selling a land of more than 01 hectare for a commercial purpose Regarding two plots of land with 25 acres 02 roods 29 perches which were plotted and sold in the area of authority in Akurana Sabha, the land plots to be handed over to the Sabha had not been handed over to the Sabha.	It has been informed to the owner that the division of this land should be done with the approval of the Sabha and if not, legal action will be taken and a notice has also been displayed on the land.	The provisions of the Act should be followed.

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 2021 amounted to Rs. 33,400,644 as compared with the excess of revenue over recurrent amounted to Rs. 23,626,331 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
(a) As of the beginning of the year under review, the assessment and tax arrears were Rs.1,700,204 and only Rs.517,064 or 30 percent of that balance had been recovered during the year. Also, the assessment and tax billing in the reviewed year was Rs.7,912,202 and only Rs.5,754,704 or 73 percent of the billing was recovered during the year. Due to this, as on December 31 of the year under review, arrears of Rs.3,506,355 had to be charged and no action was taken to recover the arrears in accordance with Section 158 of the Pradeshiya Sabha Act.	As of May 31, 2022, an amount of Rs. 1,083,179 has been collected from these arrears.	The arrears should be recovered as per the provisions of the Act.
(b) Although assessment property should be assessed once in 05 years, assessment property had not been assessed after the year 2012.	The valuation department has been informed about this on several occasions.	Property valuation should be done on due date.
(c) Although an income not exceeding 1 percent of the annual income of the hotels registered with the Sri Lanka Tourism Board are required to be collected, as per the Section 149 of the Pradeshiya Sabha Act; without verifying the income of 2 registered hotels run in the area of authority in Akurana Sabha, only an income of Rs. 215,873 had been collected.	It has been informed that the tourism board has been asked to confirm the accounting reports of the relevant institutions, but it has been told that it is not possible to provide them to external parties and that the relevant institutions have been informed to provide the accounting reports in 2021.	Action should be taken as per the provisions of the Act.

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 **Solid waste management**

Audit Observation	Comments of the Sabha	Recommendation
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A land with 5 acres 2 roods 22.5 perches was purchased on July 26, 2003 for garbage disposal at a cost of Rs.525,000; but by December 31 of the year under review, the said land had not been formally utilized for garbage disposal.	It has been informed that the construction work of the compost yard is carrying on from the council fund and the provincial council fund in the year 2021 and arrangements are being made to send the perishable waste to the Ukuwela Pradeshiya Sabha.	The land should be properly prepared for waste disposal.

3.2 **Contract Administration**

Audit Observation	Comments of the Sabha	Recommendation
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49 projects worth Rs.5,500,000 to be implemented by Akurana Pradeshiya Sabha under public funds was limited only for signing of agreement or preparing estimates and as at December 31 of the year under review, the said projects had not been completed.	It has been informed that the activities related to the completion of the projects are being carried out.	Planned projects should be completed.