

Akurassa Pradeshiya Sabha – 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Akurassa Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising the Statement of financial position, as at December 2021 Statement of Financial Operations, statement of changing Equity Cash Flow Statement 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 the 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 accompanying financial statements give a true and fair view of the financial position of the Akurassa Pradeshiya Sabha as at 31 December 2021, and of its financial performance and its cash flows 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 skepticism 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

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, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1. Accounting Deficiencies

Audit Observation	Comment of the Council	Recommendation
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(a) Amounting to Rs.11,172,971 spent for the improvement of land and buildings owned by the council and Rs.540,000 spent for computer networking in the council office had not been capitalized.	The action will be taken to correct.	} Should be accounted correctly.
(b) The furniture and equipment valued at Rs.1,428,050 purchased during the year under review had been accounted under fixed assets and also under General Stores stock.	The action will be taken to remove the value of furniture and equipment amounting to Rs. 1,428,050, which is taken under fixed assets and the general store stock balance and taken into the account.	
(c) Creditors provision had not been made for the balance of Rs.5,468,084 payable to the Local Government Service Pension Contributory Fund as at the end of the year under review.	The action will be taken to correct.	

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| (d) | 744 items valued at Rs.238,355 belonging to 46 types of equipment and materials which are not in the form of fixed assets inventory and consumables were accounted under furniture and equipment. | The goods in the form of inventory will be removed from the fixed asset register and the fixed asset register will be rectified. | } Should be accounted correctly. |
| (e) | In order to correct the under-accounting of common stock by Rs.899,294 at the end of last year, by the Journal entry No. 13 had debited Rs.353,247 to the accumulated fund and credited to the same amount to the common stock account. Accordingly, at the end of the year under review, the stock was understated by Rs.1,252,541. | The action will be taken to correct. | |

1.6.2 Non reconciled Control account or Report

Audit Observation

Comment of the Sabha

Recommendation

There was a difference of Rs.81,262,818 in between 06 accounting items included in the financial statements totaling to Rs. 229,509,491 and the balances shown in the relevant documents/schedules.

The reasons for the difference will be identified and corrected in the future.

The differences in the respective balances should be reconciled and corrected the accounts.

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 amounted to Rs. 17,133,372 as compared with excess of revenue over recurrent expenditure amounted to Rs. 23,377,354 in the preceding year.

2.2 Performance of Revenue Collection

(a) Assessment

Audit Observation

The number of assessment units was 3100 in the year under review, and as at the end of the year there was an outstanding balance was Rs.1,853,144 from 1220 units.

Comment of the Sabha

An amount of Rs.259,959 had been collected as at 31 May 2022 from the arrears as at 31 December of the year under review.

Recommendation

The arrears of income should be recovered immediately.

(b) Shop Rents

Audit Observation

227 shop rooms had been leased in the year under review meanwhile, 164 shops have outstanding rents of Rs.7,874,096 as at the end of the year. According to paragraph 01 of the Southern Province, Local Government Commissioner's Circular No. දපපා/පපාකො/2010/01 dated 27 December 2010, 24 shops should have collected a sum of Rs.5,464,236., Arrears of shop rent of Rs.1,422,808 and a sum of Rs.1,578,500 had been collected by 03 shop rooms as at 31 May 2022.

Comment of the Sabha

By the arrears of rent income as at December 31 of the year under review Rs. 1,422,808 and collection of Rs.1,578,500 for 03 shops had been recovered.

Recommendation

The Arrears of income should be collected promptly.

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 Operational inefficiencies

Audit Observation

In relation to 06 building applications which were rejected for non-compliance with planning and development orders/regulations of the Urban Development Authority, the buildings were completed or under construction and 02 buildings were constructed without obtaining development permits from the local councils. Regarding this construction, according to Schedule 02 of the Gazette Notification No. 2235/54 dated 08 July 2021, which includes the Planning and Development Orders/Regulations of the Urban Development Authority, the construction was not formalized or removed after charging a fee of Rs.4,602,742.

Comment of the Sabha

The builders will be called and discussed with them to take further action.

Recommendation

The action should be taken in accordance with the gazette notification.

3.2 Deficiencies in contract administration

Audit Observation

In the year 2020 Sapiri Gramak People's Participation Rural Development Program and in the year 2020 provincial specific development grants and provisions of the Governor's Secretariat, 07 works for the construction of concrete drains, sidewalls and box culverts had been operated. Due to the use of ST-057 rate instead of Ct-036 rate which was introduced by the Southern Province Engineering Service Office to prepare the formwork in this construction, according to the prices of the first half of 2019, per square meter Rs. 267 each for an area of 665.64 square meters and Rs.177,726 had been overpaid to the contractors.

Comment of the Sabha

Since the application of concrete drains, side walls and box culverts are projects related to road development activities, the rates of the Provincial Road Development Authority had been used.

Recommendation

Appropriate and favorable rates should be used.