

Mulatiyana Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Mulatiyana 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, 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 Mulatiyana Pradeshiya Sabha as at 31 December 2020, 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 Pradeshhiya 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 Sabha	Recommendation
(a) The amount of Rs. 1,302,065 spent during the year under review for the renovation of the building belonging to the Council had not been capitalized.	Actions will be taken to correct by the future account.	Should be accounted correctly.
(b) 500 plastic chairs purchased for Rs. 339,660 for the auditorium owned by the Sabha during the year under review had not been capitalized.	Actions will be taken to correct by the future account.	Should be accounted correctly.
(c) The value of the buildings at the Deiyandara weekly fair owned by the Sabha had not been assessed and accounted.	Actions will be taken to correct in future.	Should be accounted correctly.
(d) Less provision amounting to Rs. 866,535 had been made for 09 projects under Creditors as at the end of the year under review,		
(e) The provision amounting to Rs. 76,465 had not been done for payable miscellanies expenditure under Creditors as at the end of the year under review.		
(f) Payable for the Last Year as Local Government		

Service Pension Payments amounting to Rs. 1,193,249 had been accounted as Expenditure for the year under review..

1.6.2 No reconciled control account or reports

Audit Observation

There was a difference sum of Rs. 4,415,470 in between a balance of Rs. 49,388,397 in the value of 04 accounting items in the financial statements and value of Rs. 44,972,927 in relevant utility registers/sub registers

Comment of the Sabha

Actions will be taken to correct in Future.

Recommendation

Action should be taken to correct the accounts by comparing the changes in the relevant balances.

1.6.3 Suspense Accounts

Audit Observation

The balance of Rs. 36,289 in the suspense account, which was coming without change since 1999, had not been identified and taken action to settle even up to the year under review .

Comment of the Sabha

It is difficult to settle the suspense account as it is a change that has been coming since 1999.

Recommendation

Actions should be taken to settle.

1.6.4 Lack of documentary evidence for audit

Audit Observation

Information relevant to the audit had not been submitted in respect of 08 accounting items amounting to Rs. 146,033,445.

Comment of the Sabha

Actions will be taken to maintain the documents.

Recommendation

Evidence confirming the evidence of accounts should be submitted.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, revenue over recurrent expenditure of the Sabha for the year ended 31 December 2020 amounted to Rs. 38,303,419 as compared with against the revenue over recurrent expenditure amounted to Rs. 31,153,682 in the preceding year.

2.2 Performance of Revenue Collection

Audit Observation	Comment of the Sabha	Recommendation
(a) There was an acreage tax arrears of Rs. 82,719 at the end of the year under review.	A survey has been conducted accurately identify the property owners and the action is being taken to recover the money accordingly.	Action should be taken to recover the arrears of income expeditiously
(b) There was an arrears of shop rent amounting to Rs. 656,384 at the end of the year under review.	The action will be taken to recover the money in the future.	Action should be taken to recover the arrears expeditiously
There was an arrears of rent amounting to Rs. 220,995 at the end of the year under review.	The action will be taken to recover the money in the future.	Action should be taken to recover the arrears expeditiously

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	Comment of the Sabha	Recommendation
(a) 5000 bags of dry food worth Rs. 1000 each were distributed among 13 Sabha members including the Chairman and one bag was valued at Rs. 980. Distribution details of the remaining 5,000 kilograms of rice, 5,000 kilograms of dhal and 5,000 cans of Tin of Samoan had not been submitted for audit.	The food items were distributed among the members in 13 divisions.	All food items should be distributed according to a proper plan.

3.2 Human Resource Management

Audit Observation

Out of the Rs. 30,797,112 paid as salaries of the permanent staff of the Sabha during the year under review, Rs. 29,730,542 was reimbursed by the Commissioner of Local Government in the Southern Province and accordingly Rs. 1,066,570 had been paid by the funds of the Sabha

Comment of the Sabha

The salary had not been reimbursed for vacancies and newly recruited posts.

Recommendation

Reimbursement of salary should be done properly.