

Angunakolapelessa Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Angunakolapelessa Pradeshiya Sabha for the year ended 31 December 2020 comprising the balance sheet as at 31 December 2020 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 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.

- 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.
- 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
(a) Stamp Duty of Rs.253,350 and Court Fines of Rs.999,875 that should be recovered at the end of the year under review had been overstated.	Action will be taken to settle the relevant issue in the future.	The revenue should be accounted accurately.
(b) The amount of rs.1,421,597 that should be payable within the preceding year for the Fund for the Development of Local Loans had not been stated under the Current Liabilities even though it had been stated that the loans that payable within a year or a period less than a year should be stated under the current liabilities.	Action will be taken to settle the relevant issue in the future.	The liabilities should be identified accurately and stated in the financial statements.
(c) Consumer goods under 99 items of accumulated value Rs.483,286 had been stated as not current liabilities.	Action will be taken to settle the relevant issue in the future.	Assets should be accounted accurately.
(d) Expenditure of Implementing Capital Assets of Rs.78,637 of the year under review had been accounted as recurrent expenditure.	Action will be taken to settle the relevant issue in the future.	The Capital Expenditure should be accounted accurately.

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| (e) | An amount of rs.30,000 that had been collected for holding a Musical Show in the year 2019 had been debited to the expenditure of the year under review as the amount had been repaid. | It had been debited to the expenditure of the year under review by mistake. | The Expenditure should be accounted accurately. |
| (f) | The purchase of Capital Assets during the year under review for Rs.57,950 had not been accounted under the Non-current Liabilities. | Action will be taken to settle the relevant issue in the future. | The Assets should be accounted accurately. |

1.6.2 Unreconciled Control Accounts

Audit Observation

There was a difference of Rs.6,603,675 relevant for 06 items of accounts, between the balances as per the financial statements and the balances as per the corresponding reports relating to an item of account and the actions had not been taken to settle.

Comment of the Sabha

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

Recommendation

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

1.6.3 Lack of Documentary Evidence for Audit

Audit Observation

The necessary information had not been furnished on Furniture and Fittings of Rs. 9,214,671 for the audit.

Comment of the Sabha

Actions would be taken to prepare the corresponding reports in the future.

Recommendation

The Evidence to proof the balances declared through the Financial Reports should be furnished to the audit.

1.7 Non-compliance

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliances with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations, etc.

Non-compliance

Comment of the Council

Recommendation

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| (a) | Financial Regulations of the Democratic Socialist Republic of Sri Lanka 571(1), (2), (3) | Actions had not been taken to settle 12 miscellaneous deposits amounting to Rs.1,102,342 relevant for the year 2005 and year 2017 lapsed for two years. | Actions would be taken to settle them immediately. | Actions should be taken according to the Financial regulations. |
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- (b) The Letter No.දපපා/සං/02/යනුරූපැදි dated 24 October 2012 of the Commissioner of Local Government
- An amount of Rs.720,000 had been paid for 12 Members during the year under review even though the Travelling Allowances to the Public Representatives should be paid after obtaining the relevant bills.
- The relevant Subject Officer had not been aware of this and now the Fuel Bills are being collected separately from the Public Representatives for the relevant month.
- Actions should be taken according to the letter.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the recurrent expenditure exceeding the revenue of the Sabha amounted to Rs. 531,501 for the year ended on 31 December of the year under review as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 6,918,275.

2.2 Revenue Administration

2.2.1 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
(a) Actions had not been taken to recover the Business Tax amounted to Rs171,990.	An amount of Rs.144,320 had been requested by the Governor to write-off out of the Business Tax in arrears and Actions would be taken to recover the rest of the amount.	The revenue in arrears should be recovered as soon as possible.
(b) Actions had not been taken to recover the vehicle rent amounting to Rs.179,749.	Actions would be taken to recover the vehicle rent recoverable.	-do-
(c) Actions had not been taken to recover the arrears License Fees of Rs.55,260 and an amount of Rs.54,856 out of that balance had been older than a year.	An amount of Rs.42,325 had been requested by the Governor to write-off out of the License Fees in arrears and Actions would be taken to recover the rest of the amount.	-do-

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| (d) | Actions had not been taken to recover the Court Fines and Stamp Fees in arrears of Rs.1,110,350 and Rs.3,338,099 from the Chief Secretary of the Municipal Council and the Officers. | Actions had not been taken to recover the Court Fines and the Stamp Fees in arrears. | -do- |
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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 Operating Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
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(a) 28 out of 44 Garbage Bins for Recycling the Solid Waste had been in a state that could not be used which received from the Office of the Commissioner of Provincial Council in the year 2018 to resale them each for Rs.1,250 and actions had not been taken to discard them during the year under review because of not obtaining a proper permission.	Department of Local Government had been informed and actions would be taken in the future under their advices.	Actions should be taken to return or to discard the rest of the Bins.
(b) The Employee salary expenditure for the year under review had been reimbursed Rs.2,159,230 less.	Actions would be taken to reimburse in the future.	Actions should be taken to reimburse the expenditure.