

Ganga Ihala Korale Pradeshiya Sabha – 2020

1. Financial Statements

1.1 Unqualified Opinion

The audit of the financial statements of the Ganga Ihala Korale Pradeshiya Sabha including the financial statements for the year ended 31st December 2020 comprising the Statement of financial position as at 31st December 2020, Income and Expenditure Account, Cash flow statement, Significant accounting policies and other explanatory information for the year then ended 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 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 accompanying financial statements give a true and fair view of the financial position of the Ganga Ihal Korale Pradeshiya Sabha as at 31st December 2020, and of its financial performance for the year then ended in accordance Generally accepted Accounting Principles.

1.2 Basis for Unqualified Opinion

In my opinion, the financial statements give true and fair view based on the facts set out 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 unqualified 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 scepticism throughout the audit. I further:

- 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 whenever 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) The financial statements of Pradeshiya Sabha are consistent with the preceding year as per the requirement mentioned in Section 6(1)(d)(iii) of the National Audit Act No.19 of 2018.
- (b) The recommendations made by me during the preceding year as per the requirement mentioned in Section 6(1)(d)(iv) of the National Audit Act No.19 of 2018 are included in the financial statements submitted.

1.6 Audit Observations on the preparation of Financial Statements

Unreconciled Control Accounts or Records

Audit observation	Comments of Sabha	Recommendation
There was a mismatch of Rs.755,950 in between the balance as per the financial statement and the balance as per the source document in relating to an Account subject.	It is informed that assumed values were used as there are no schedules.	Court fines receivables should be identified correctly.

1.7 Non- Compliances

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

Followings are the instances for Non-compliance with Laws, Rules, Regulations and Management Decisions etc...

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of Sabha	Recommendation	
(a) Pradeshiya ordinance No.15 of 1987.	Section 205	A sum of Rs. 331,267 to be charged based on the investigation reports issued regarding the misplacement of galvanized pipes and damage to the water supply scheme had not been recovered.	It is informed that actions will be taken on the instructions of the Commissioner of Local Government and the Council.	Future actions should be taken according to the investigation reports.

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 31st December 2020 amounted to Rs.20,412,517 as compared with the excess of revenue over recurrent expenditure amounted to Rs.20,688,111 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Audit observation	Comments of Sabha	Recommendation
(a) Rates		
The assessment tax of Rs.1,231,178 due at the end of the year under review, including assessment tax of Rs.284,566 due over 05 years had not been collected.	It is informed you that the revenue collection has been weakened due to the Covid epidemic.	Revenue in arrears should be recovered.
(b) Acreage tax and Shop rent		
(i) The acre tax of Rs.65,892 and shop rent of Rs.558,861 due at the end of the year under review had not been collected.	It is informed that it will be collected in the future.	Revenue in arrears should be recovered.
(ii) 10 shops owned by the Sabha had been leased to 10 persons without a legal agreement and the agreement had not been complied with, regarding the non-collection of rent in arrears of Rs.135,595 in 06 shops that elapsed for 03 months.	It is informed you that no agreement has been reached yet.	Stalls should be leased on agreement.
(c) Court fines and Stamp duties		
Court fines of Rs.601,551 and stamp duty of Rs.16,536,308 due at the end of the year under review had not been collected.	It is informed that schedules will be prepared and arrears will be collected.	Revenue in arrears should be recovered.

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 Sabha under Section 03 of the Pradeshiya Sabha Act are shown below.

3.1 Management Inefficiencies

Audit observation

The total amounting to Rs.479,237 of Shop rent, Three wheeler charges, environment permit and Debtor balance that elapsed more than 05 years had not been collected and Industry and various creditor balances amounting to Rs.926,228 for a period of 01 to 05 years had not been settled.

Comments of Sabha

No Comments.

Recommendation

Receivables should be collected and Payments should be settled.

3.2 Informal transactions

Audit observation

Purchase of Nekfa Australia computer software

In the year 2014, out of the 04 systems required to be installed as per the agreements related to the computer software system purchased by the Sabha, 03 systems have not been installed, but Rs.585,000 in 2015 and 2016 and Rs.70,000 again as service charge has been paid in the year under review.

Comments of Sabha

In the future, a new agreement will be signed and action will be taken to provide training and formalize the staff.

Recommendation

Problems should be rectified prior to entering into an agreement.

3.3 Visible disorders

Audit observation

When recruiting a Computer Consultant for the Sabha, an officer who had not applied for the post was recruited for the relevant post and an allowance of Rs.452,374 was paid from March 2016 to August 2020.

Comments of Sabha

I accept that the recruitment was not done in a proper procedure.

Recommendation

Recruitment should be done in accordance with the rules and regulations.