

Minipe Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Minipe Pradeshiya Sabha including the financial statements for the year ended 31 December 2020 comprising the Statement of financial position as at 31 December 2020, Income and Expenditure Account, 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 Provisions of the National Audit Act No.19 of 2018 and with Sub-Section 172 (1) of the Pradeshiya Sabha Act No.15 of 1987 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 Minipe 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 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 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 Urban council, 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.

- 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.
- 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 on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
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(a) The land in which the Pilhatha Cemetery was not valuated and accounted.	Action will be taken to account for the year of 2021 after valuating the value of the land.	Correction should be done when preparing financial statements for the next year.
(b) Rotary Slasher worth Rs.180,000 was not shown in the financial statements that has been shown in fixed assets document which was bought on 16 January 2020.	Action will be taken to account when preparing financial statements for the next year.	Correction should be done when preparing financial statements for the next year.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
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(a) There was a difference of Rs.2,082,649 between the total amount of Rs.59,598,498 in relating to 03 items of account in the financial statements and the balance of source documents.	Correction will be done when preparing accounts in the year 2021.	Correction should be done when preparing financial statements for the next year.

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| (b) | There was a difference of Rs.6,043,288 due to showing as Rs.92,037,016 in fixed assets document of 11 land and buildings which worth Rs.95,074,409 shown in the financial statements. | Will be report to you in the after examining about differences. | Correction should be done when preparing financial statements for the next year. |
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1.6.3 Documentary Evidences not made available for Audit

Audit Observation -----	Comments of the Sabha -----	Recommendation -----
5 account items which amounted to Rs.7,051,397 was unable to verify in a satisfactory way during the audit due to not presenting schedules and verification documents.	Action will be taken to get the approval of the Council to write off the balances that have been unable to settle and source documents will be prepared to verify other account balances and present.	Information which is needed for the audit should be presented.

1.7 Non - compliances

Non – compliance with Laws, Rules, Regulations and Management Decisions

Occasions of Non – compliance to rules, regulations and management decisions are as follows.

Refer to Laws, Rules, Non - compliance Regulations and management decisions -----	Comments of the Council -----	Recommendation -----
Financial Regulations 571(2) of the Democratic Socialist Republic of Sri Lanka.	28 deposits which amounted to Rs.1,701,577 was retained in the general deposit account for a period of more than 2 year eventhough lapsed deposits should be credited to state revenue according to financial regulations.	Will be presented for you after correcting these deficiencies. Action should be taken according to financial regulations.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, excess of revenue over recurrent expenditure for the year ended 31 December 2020, amounted to Rs.11,225,811 as compared with the corresponding amount for the preceding year amounted to Rs.14,316,477.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
(a) Rates and Taxes		
A total of Rs.1,697,368 was not collected as Rs.685,033 from billed rates value of Rs.1,333,672 during the year under review and Rs.1,012,335 from the arrears rates balance of Rs.1,134,608 that was due as at 01 January the year under review.	The progress of revenue collection was slow due to two revenue inspector posts being vacant and global covid pandemic situation in the month of March.	Action should be taken to collect the arrears revenue without delay.
(b) Stalls Rent		
(i) A total of Rs.9,142,866 was not collected as Rs.2,331,193 from the billed shop rent value of Rs.2,665,865 in the year under review and Rs.6,811,673 from arrears shop rent balance of Rs.6,907,199 as at the beginning of the year under review.	It has been to directed to Commissioner of Local Government for suing to collect the arrears rent which is due from shops owned by the Sabha.	Action should be taken to collect the arrears revenue without delay.
(ii) Rs.71,933 was not collected even at the end of year under review although the decision has been given to collect Rs.81,949 which is due from sand ports since the year 2008 through the court decision dated 04 September 2015.	Legal action will be taken if further delays are done relating to payment of arrears.	Action should be taken to collect arrears revenue without delay.
(c) Other Income		
A total of Rs.3,479,122 was not collected as Rs.1,928,437 from bills of the year and Rs.1,550,686 from the arrears water charges as at the beginning of the year under review.	It will be reported for you after collecting arrears water revenue when the Covid pandemic situation decline.	Action should be taken to collect arrears revenue.

(d) Court fines and Stamp duties

Court fines of Rs.4,277,860 and stamp duties of Rs.913,945 which was receivable as at 31 December the year under review from Provincial Council Chief Secretariat Office and other institutions were not collected.

Action will be taken to collect the balance.

Needed actions should be taken to collect the receivable court fines and stamp duties.

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.

Audit Observation

Comments of the Sabha

Recommendation

Eventhough it has been proposed to establish community hall, maternal and Ayurveda center, health center, information and technological center, public library in the multi – purpose building constructed by spending Rs.59,078,700 under the Pura Naguma Project, the first floor was used for office premises and the ground floor and second floor of this building which size is 14000 square meters was idle without taking any advantage.

Council is expecting to get revenue by give those floors on rent basis in this year.

Should be used in an effective work quickly.

3.1 Management Inefficiencies

Audit Observation

Comments of the Sabha

Recommendation

(a) As at 31 December the year under review 5 account debtors of development project, house rent, water charges, shop rent, fines to be collected amounted to Rs.58,748,541 and it has not been collected even though it included the balances related from to 1 year to 5 years which amounted to Rs.7,655,824 and balances which had exceeded 5 years that amounted to Rs.3,005,501.

Action will be taken to collect the amounts which are to be collected.

Action should be taken to collect without delay.

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| (b) | Total of Rs.47,103,359 balances were not settled as total of Rs.334,873 which was between 1 - 5 years and total of Rs.800,154 which exceeded 5 years as 31 December the under review. | Action will be taken to report you after searching these balances. | Action should be taken to settle without delay. |
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3.2. Human Resource Management

Audit Observation

Recruitments were not done for 15 vacancies of 9 posts in approved and actual staff.

Comments of the Sabha

Requests have been made to fill the vacancies.

Recommendation

Action should be taken to fill the positions vacant.