

Akmeemana Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Akmeemana 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, 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 Akmeemana 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 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 Sabha	Recommendation
(i) The rental income to be shown under the physical planning program was Rs. 2,077,750 however It had been shown under public administration by changing the programs.	Actions will be taken to correct in future.	Income and expenses related to the programs should be recorded accurately.
(ii) The compactor worth Rs. 6,221,373, which did not belong to the council, had been shown in the motor vehicle balance and Four vehicles belonging to the Sabha valued at Rs. 1,700,000 had not been accounted in the year.	Actions will be taken to correct in the year 2021.	Should be accounted accurately.
(iii) Receivable Stamp Fees amounting to Rs.99, 075,401 and Court Fine amounting to Rs.1,860,319 as at the end of the year under review had been overstated in the accounts	The court fine amounting to Rs. 7,772,500 should be recoverable. However, there are no schedules to confirm whether court fine amounting to Rs. 80,819 as receivable.	

1.6.2 Lack of documentary evidences for audit

Audit Observation	Comment of the Sabha	Recommendation
The information required for the audit had not been submitted in relation to 04 accounting items amounting to Rs. 28,328,618.	Inform that the actions are being taken to correct the fixed asset register and other schedules.	Should be maintained updated fixed asset registers, deposit registers and age analysis.

1.7 Non compliances

Non compliances with laws rules and regulations

The non-compliance with rules, regulations and management decisions are as following.

Reference to laws rules regulations	Non compliance	Comment of the Sabha	Recommendation
(a) The section 149 of the Pradeshiya Sabha Act No. 15 of 1987	Hotels and Restaurants registered under Act No. 14 of 1968 are liable to pay tax on total income. However, due to the tax levied only on sales, the council had been incurred a lost Rs. 41,551 during the year under review.	The action will be taken after obtaining the detailed information regarding the relevant balance.	Actions should be taken in accordance with the Act.

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. 36,417,980 as compared with against the revenue over recurrent expenditure amounted to Rs. 21,887,137 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance of revenue collections

Audit Observation	Comment of the Sabha	Recommendation
(a) Rates and Tax		
The action had not been taken to recover the arrears of Rates and Taxes amounting to Rs. 12,396,200 during the year under review.	Mentioned that will be accepted.	Arrears of income should be recovered.
(b) Other Revenue		
The action had not been taken to recover the arrears of income amounting to Rs. 164,814,664 during the year under review.	Mentioned that will be accepted	Arrears of income 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 Council under Section 3 of the Pradeshiya Sabha Act are shown below.

Management Inefficiency

Audit Observation	Comment of the Sabha	Recommendation
(a) The council had acquired a part of the Thalagaha Hettiya Gammedda paddy field in the name of the Sabha on 11 December 1997 and the owner had filed a case and had to pay a sum of Rs. 1,187,475 while another case was also filed seeking compensation of Rs. 46 lakhs for the removal of the building on the relevant land.	The Commissioner of Local Government has been informed regarding the surcharge and recovery from the relevant members of the Sabha, however no reply had been received so far. and the Case No. 657 is still pending in court.	Actions should be taken in accordance with the Rules and Regulation.
(b) A deposit of Rs.1,380,000 had been made on 31 May 2004 for the acquisition of the Mahawatte Cemetery by the Sabha, however action had not been taken to settle it further.	Inform that the acquisition of the relevant cemetery has not been completed yet.	Action should be taken to acquire the relevant cemetery to the Sabha.