

Akuressa Pradeshiya Sabha 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Akeressa 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 Akuressa 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 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 Council	Recommendation
(a) Credit provision had not been made for the Industrial expenses due at the end of the year under review amounting to Rs. 1,373,103 and Misalliances expenses amounting to Rs. 223,864.	It will be corrected in the preparing of final accounts for the year 2021.	Should be accounted correctly
(b) Receivables Industrial debt balance as at the end of the year under review amounting to Rs. 229,153 had not been accounted.	It will be corrected in the preparing of final accounts for the year 2021.	Should be accounted correctly
(c) Value of Inventory items aggregating to Rs. 109,075 had been accounted under furniture and equipment.		
(d) Receivable amounting to Rs.18,165,512 from 153 industries operated in the year under review had been overstated in the account.		
(e) Capital creditors of Rs.19,475,083 relevant for 153 industries operated in the the year under review had to be paid and over provisions had been made.	Actions will be taken to correct.	Should be accounted correctly.

- (f) Five adjustments had been made from the previous prior year adjustment in the year under review were made to the Cumulative Fund, Therefore, the balance of the accumulated fund was Rs. 1,487,917 understated and the surplus was over stated for the year under review.
- (g) The total outstanding for 26 shops rent contribution Rs. 5,464,236 had not been accounted as at the end of the year under review.



1.6.2 Non reconciled Control account or Report

Audit Observation

There was a difference sum of Rs. 88,762,374 in between a balance of Rs. 100,674,262 in the value of 03 accounting items in the financial statements and value of Rs. 11,911,888 in relevant utility registers/sub registers

Comment of the Sabha

Actions will be taken to correct.

Recommendation

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

1.6.3 Lack of documentary evidence for audit

Audit Observation

Due to non-submission of required information for 08 accounting items amounting to Rs. 436,527,652 could not be satisfactorily vouched during the audit.

Comment of the Sabha

Actions will be taken to correct in future.

Recommendation

Evidence confirming the account balances shown in the financial statements 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. 23,377,354 as compared with against the revenue over recurrent expenditure amounted to Rs. 14,357,501 in the preceding year.

2.2 Performance of Revenue Collection

2.2.1 Assessment

Audit Observation

There was an assessment arrears balance of Rs.1,320,473 at the end of the year under review.

Comment of the Sabha

Action will be taken to recover the arrears of assessment for the year under review.

Recommendation

Arrears of income should be recover as soon as.

2.2.2 Shop Rent

Audit Observation

There was a arrears of shop rent amounting to Rs.736,480 at the end of the year

Comment of the Sabha

Actions will be taken to recover

Recommendation

Arrears of income should be recover as soon as

2.2.3 Ground Tax

Audit Observation

There was a arrears of Ground tax amounting to Rs. 584,791 at the end of the year

Comment of the Sabha

All tax will be charged.

Recommendation

Arrears of income should be recover as soon as.

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

19 unauthorized constructions were identified during the year under review and 20 unauthorized constructions were identified the previous year and action had not been taken to legalize or take legal action to them.

Comment of the Sabha

Action will be taken against unauthorized constructions identified during the year under review and in previous years.

Recommendation

Prompt actions should be taken.