

Kamburupitiya Pradeshiya Sabha -2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kamburupitiya 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 Kamburupitiya 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	Comments of the Sabha	Recommendations
(a) The recurrent expenditure amounting to Rs. 467,350 had been done on vehicle repairs was capitalized on cars and carts accounts.	Actions will be taken to correct	Accounting Should be done correctly
(b) Expenditure of Rs. 4,467,875 incurred on the development of lands owned by the Council under various programs during the year under review and last year had not been capitalized.	Actions will be taken to correct	Accounting Should be done correctly
(c) The provision had not been made under the creditors for the balance of Rs. 1,806,583 due on the Local Government Service Pension Contribution at the end of last year.		
(d) Credit provisions had not been made for the outstanding fuel expenditure of Rs. 33,539 for the year under review.		

1.6.2. None reconciled control accounts or records

Audit Observation

There was a difference sum of Rs. 24,633,231 in between a balance of Rs. 237,112,468 in the value of 11 accounting items in the financial statements and value of Rs. 212,479,237 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 Suspense Accounts

Audit Observation

Credit balance of Suspense Account Rs. 1,168,845 which had been brought forward since 2006 had not been settled in the year under review.

Comment of the Sabha

Has not yet been settled.

Recommendation

It is necessary to look into this and make the necessary adjustments and settle the suspense account.

1.6.4 Lack of Documentary evidence for Audit

Audit Observation

The information required for the audit had not been submitted for 07 accounting items amounting to Rs. 164,260,006.

Comment of the Sabha

Actions will be taken to correct by solving long-term problems.

Recommendation

Evidence confirming the account balance 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. 31,663,085 as compared with against the revenue over recurrent expenditure amounted to Rs. 28,188,811 in the preceding year.

2.2 Performance of Revenue Collection

Audit Observation	Comment of the Sabha	Recommendation
(a) There were arrears of an assessment tax balance of Rs. 1,139,304 as at the end of the year under review.	The mobile services could not be maintained and arrears could not be recovered due to the Corona epidemic.	Arrears of revenue should be collected promptly.
(b) Amounting to Rs.341,014 had been arrears as at the end of the year under review.	The acreage tax surveys could not be carried out due to the corona epidemic.	Arrears of revenue should be collected promptly.
(c) There was a shop rent arrears of Rs. 1,404,659 as at the end of the year under review.	Problems with recovering because the business were closures due to corona epidemics	Arrears of revenue should be collected promptly.

3. Operating 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 Operating inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) For the year under review, there were 43 institutions in the Council area which had not obtained environmental protection license and the attention had not paid to the damage caused to the environment by those institutions and the license fee amounting to Rs. 189,200 had not been recovered to the Sabha.	Steps have been taken to issue licenses to the institutions that are required to issue environmental licenses and steps will be taken to issue licenses to	Action should be taken to issue environmental permits expeditiously.

- (b) Although a fee of Rs. 597,731 was charged as one percent of the sale value at the auction of 04 Land of 14 acre, 01 rude and 14.1 perches in the Council area, the fee was charged based on the assessed value not taking into account the sale value stated in the deeds registered with the Land Registrar's Office.
- businesses that have not been licensed in the future.
- The charges will be made as per the assessment report submitted by them before approving the proposed plan for sale.
- Actions should be taken in accordance with the Act.

3.2 Human Resource Management

Audit Observation	Comment of the Sabha	Recommendation
The action had not been taken to recover the outstanding balance of Rs. 237,026 due from 19 officers and employees who had defaulted on installments as per the Staff loan Register of the Sabha at the end of the year under review.	Action be taken to recover non-performing staff loans	Action should be taken to recover the staff loan balance as soon as possible.