

Sustainable Development Council - 2020

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sustainable Development Council for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Council as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

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 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 Sri Lanka Public Sector Accounting Standards, 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.

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No.19 of 2018, the Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared by the Council.

1.4 Auditor's Responsibility for the Audit of the 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 exercise 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 the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- 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 Council, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Council has complied with applicable written law, or other general or special directions issued by the governing body of the Council;
- Whether the Council has performed according to its powers, functions and duties; and
- Whether the resources of the Council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Accounts Receivable and Payable

1.5.1 Payables

Audit Observation	Management Comment	Recommendation
No provision for audit fees has been made in the financial statements for the year under review and for the previous year.	It was noted and instructions were given to make provisions for arrears as well as for making payments related to future years.	Provision should be made for audit fees.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Public Enterprises Circular No. PED 12 of 02 June 2003	Even though the financial statements of the Sustainable Development Council for the year under review should have been furnished to Audit on or before 28 February 2021, those financial statements had been furnished to Audit only on 22 November 2022 with a delay of a period over 01 years.	In the year 2020, not enough staff were employed and the offices were not continuously opened due to the Corona epidemic during that year. Also, during this period there has been a delay in the appointment of members/ chairman of the council. The existence of limited staff as well as the fact that drafts were prepared for the financial statement and the change of line	Action should be taken in terms of circulars.

ministry and members/chairman of the council from time to time also led to the delay in the submission of these financial statements.

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| (b) Financial Regulation 396(d) | 13 overdue checks amounting to Rs.97,588 issued but not presented to the bank were not dealt with as per Financial regulations. | Instructions were given regarding this and in present corrections have been made as per the financial regulations. | Action should be taken in terms of financial regulations. |
| (c) Financial Regulation 446 (2) | All entries in the cash book were to be short signed by a responsible superintendent or staff officer but not all entries were short signed. | It was noted and after giving instructions, proper entry and short signatures in the cash book have been started. | Action should be taken in terms of financial regulations. |
| (d) Financial Regulation 257 | A total of Rs.571,640 was paid through 07 payment vouchers, but the vouchers were not certified by the relevant certifying officer. | It was noted and after giving instructions proper expenditure certification were started. | Action should be taken in terms of financial regulations. |

1.7 Cash Management

Audit Observation

There was a balance of Rs.2,407,716 in the council's bank current account on January 01, 2020. By the end of the year, the balance was Rs.2,184,582. In the year under review, a cash balance of Rs.2,000,000 remained idle in the bank current account.

Management Comment

Due to the Corona epidemic in the country in the year 2020, the offices have been closed from time to time and only a limited number of staff have been called. Due to this unexpected situation, it is not possible to act according to previous plans. In order to face

Recommendation

Action should be taken to proper utilization of funds.

such a situation, instructions were given to follow suitable methods to reach the goals.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 164,414 and the corresponding surplus in the preceding period of 04 months amounted to Rs.5,880,468. Accordingly, a decline of Rs.5,716,054 was observed when comparing the financial result related to four months of the previous year with the financial result of the reviewed year. Accordingly, the expenditure related to four months of the previous year was Rs.4,325,532, but the expenditure of the reviewed year was Rs.13,663,075, which was the main reason for this deterioration.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) The value of property, plant and equipment had been indicated as Rs.3,866,342 as at 31 December 2020 in the statement of financial position. However, the reports on Annual Boards of Survey had not been submitted to Audit even by 02 December 2022 for ascertaining the physical existence of those assets.	This is due to the fact that the offices have been closed from time to time due to the Corona epidemic situation in the years 2020 and 2021, and only a limited number of staff have been called to work from time to time. And at present, the duties related to the subject of sustainable development are being carried out by a very limited staff.	Action should be taken to conduct a Board of Survey to ascertain the physical existence of assets.
(b) Monthly rent had not been paid for the building where the council is situated. But that was not disclosed in the financial statements.	As the office was held in the same building used by the line ministry at that time, there was no need to make a payment.	Disclosures should be made in the financial statements.
(c) According to the annual budget estimate prepared by the council for the year under review, Rs.65 million was estimated, but the actual cost was Rs.13.6 million.	Due to the Corona epidemic in the country in the year 2020, the offices have been closed from time to time and only a limited number of staff have been called. Due to this unexpected situation, it is not possible to act according to previous plans. In order to face such a situation, instructions were given to follow suitable methods to reach the goals.	The annual budget estimate should be prepared as accurately as possible.

(d) Although the council had been operating for a period of 04 months only in the previous year, the financial statements of the year under review did not explain that the previous year's figures were related to 04 months. It was noted and advised to correct it. Periods should be clearly indicated in the financial statements.

3.2 Operational Inefficiencies

Audit Observation

Under Head 102 - Ministry of Finance, capital expenditure of Rs.3.15 million was allocated for the year 2020 for Sustainable Development Council, but only Rs.1.55 million was utilized. Also, in the year under review, a provision of Rs.14.30 million had been made for recurring expenses, but Rs.12.24 million had been utilized. Accordingly, from the annual budget estimate, which was made to the Sustainable Development Council, from the recurrent and capital allocation, respectively, Rs.2.06 million or 14 percent and Rs.1.6 million or 51 percent provision had been left.

Management Comment

Due to the Corona epidemic in the country in the year 2020, the offices have been closed from time to time and only a limited number of staff have been called. Due to this unexpected situation, it is not possible to act according to previous plans. In order to face such a situation, instructions were given to follow suitable methods to reach the goals.

Recommendation

The annual budget estimate should be prepared as accurately as possible.