

Sustainable Development Council - 2019

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sustainable Development Council for the period of 04 months ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of income, statement of changes in equity, and cash flow statement for the period of 04 months 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 the Finance Act, No.38 of 1971. My comments and observations which I consider should be presented 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 2019, and its financial performance and cash flows for the period of 04 months 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 determines 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 Scope of Audit

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 judgement 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 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 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 3 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 Non-compliance with Laws, Rules, Regulations , Management Decisions etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
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 2020, those financial statements had been furnished to Audit only on 21 March 2022 with a delay of a period over 02 years.	The staff engaged in the service in the year 2019 was inadequate and offices had not been operated continuously due to Corona pandemic prevailed during the year 2020. Furthermore, appointment of members / the Chairman of the Council had delayed during this period.	Action should be taken in terms of circulars.

2. Financial Review

2.1 Financial Results

The operating result for the period of 04 months of the year under review had been a surplus of Rs.5,880,468. The said surplus consisted of savings after incurring expenditure from grants of Rs. 10,206,000 received from the Treasury.

3. Operating Review
3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>The value of property, plant and equipment had been indicated as Rs.3,494,902 as at 31 December 2019 in the statement of financial position. However, the reports on Annual Boards of Survey had not been submitted to Audit even by 08 November 2022 for ascertaining the physical existence of those assets.</p>	<p>Activities of survey have not been carried out due to lack of staff. A proper Board of Survey is due to be conducted and a report thereon submitted to cover the entire period. Nevertheless, even at present, there is no adequate staff for daily performance of subject related functions of sustainable development as well as operations, financing, administrative activities. As such, it has become increasingly difficult to make continuous and prompt response to meet the high demand.</p>	<p>Action should be taken to conduct a Board of Survey to ascertain the physical existence of assets.</p>