

Bope Poddala Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Bope Poddala 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 Bope Poddala 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 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 Sabha	Recommendation
(i) The value of the 109.16 perch Sarasawi Asapuwa land and the 21.3 perch Narawala Strauss Estate land which had been given to the Sabha for public works through land auctions had not been assessed and accounted.	The actions will be taken to assess and account.	The actions should be taken to assess and account correctly.
(ii) The amount of Rs. 486,204 paid for the construction of the fence at Hapugala Public Cemetery had not been taken into account as assets.	Actions will be taken to account in future.	Action should be taken to account correctly.

1.6.2 Non reconciled Account or Records

Audit Observation	Comment of the Sabha	Recommendation
There was a difference sum of Rs. 2,980,446 in between the balance value of 03 accounting items in the financial statements and balance value in relevant utility registers and sub registers as at 31 December of the year under review.	Action will be taken to correct in future.	The accounts should be corrected by comparing the non-reconciliations between the balances in the financial statements and the relevant sub registers.

1.6.3 Lack of documentary evidences for audit

Audit Observation	Comment of the Sabha	Recommendation
Information required for the audit had not been submitted in respect of an accounting item amounting to Rs. 3,627,305.	The actions will be taken to correct the information in the future.	There should be written evidence for receivables and the balance should be recovered.

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.39,745,456 as compared with against the revenue over recurrent expenditure amounted to Rs.40,239,972 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance of revenue collections

Audit Observation	Comment of the Sabha	Recommendation
Court fine and Stamp fees		
The court fines due on December 31 of the year under review were Rs.1,563,543 and the stamp duty was Rs.211,821,786. The Chief Secretary had not taken action to pay the court fines and stamp duty due to the Sabha.	The action will be taken to recover the arrears.	The 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.

3.1 Management inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
Although the road had to be paved with two layers of 37.5 mm aggregate, it was observed that only one layer was used, which was an increase of 50 per cent over the amount of Rs.187,908 paid.	Inform that the relevant officers have been instructed to be more careful in taking the relevant measures in preparing the estimates.	The payment should be done for the value of work done.

3.2 Operating inefficiencies

Solid Waste Management

Audit Observation	Comment of the Sabha	Recommendation
Garbage collected in the area is disposed to the Monroe-Viyawatta garbage yard. A sum of Rs. 1,572,000 had been paid to the garbage yard for garbage disposal for the year under review. The Sabha did not have a long-term plan for Waste Management.	Inform you that the Sabha could not make plans as it does not have land for solid waste management and the decomposing waste will be disposed of at the Monrovia Garden estate Garbage Yard.	A long-term plan for waste management should be developed.