

Benthota Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Benthota 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 Benthota 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
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<p>(i) The Pahalagamhaya sub office, Ayurveda and library building had not been completed and handed over to the Sabha however, the value amounting to Rs. 18,530,746 had been accounted as the Land and Building therefore the value of the land and building had been overstated by that amount.</p>	<p>Informed that the Assets have been accounted mistakenly.</p>	<p>Should be accounted correctly.</p>
<p>(ii) An advance of Rs. 3,888,192 had been paid for the construction of the Benthota Public Market Complex and Library Building and that amount had been accounted as Assets under Land and Buildings.</p>		

(iii) Assets amounting to Rs. 1,006,902 under Land and Buildings had been write off from the accounts. As a result, Assets were understated by that amount. Action will be taken to account in future. Should be accounted correctly.

(iv) When showing the value of lands and buildings in the year under review, the value of 32 plots of land included in the Land and Building Register had not been assessed and accounted. Action will be taken to account in future. Should be accounted correctly.

(v) The value of a vehicle Rs. 6,221,374 which should have been recorded in the Motor Vehicle and Cart account had been omitted from the accounts.

1.6.2 Non-reconciled control account or report

Audit Observation -----	Comment of the Sabha -----	Recommendation -----
There was a difference sum of Rs.5,626,147 in between the balance value of an accounting item in the financial statements and balance value in relevant utility registers and sub registers as at 31 December of the year under review.	The Action will be taken to correct in future.	Should be accounted correctly.

1.6.3 Lack of documentary evidence for audit

Audit Observations -----	Comment of the Sabha -----	Recommendation -----
The information required for the audit had not been submitted in respect of 05 accounting items amounting to Rs.192,438,201.	The Fixed Assets registers will be updated in the future.	The Fixed Assets registers should be updated.

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. 9,492,275 as compared with against the revenue over recurrent expenditure amounted to Rs. 16,989,568 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance of Revenue Administration

Audit Observations	Comment of the Sabha	Recommendation
(a) Rate and Tax Action had not been taken to recover the arrears of Rate and taxes amounting to Rs. 37,114,869 at the last day of the year under review.	Inform that the necessary steps have been taken to recover the arrears.	Arrears of income should be recovered
(b) Rent Action had not been taken to recover the arrears of rate amounting to Rs. 96,852 due at the last day of the year under review.	Inform that the necessary steps have been taken to recover the arrears.	Arrears of income should be recovered
(c) Other income The balance receivable at the end of the year under review was Rs. 41,487,660 and action had not been taken to recover the arrears other income.	Inform that the necessary steps have been taken to recover the arrears.	Arrears of income should be recovered
(d) Court Fine and Stamp Fees As at 31 December of the year under review, Rs. 2,272,267 was receivable for court fines and Rs. 39,211,824 for stamp fees. The Chief Secretary had not taken action to pay the court fines and stamp fees to the Sabha.	Inform that the necessary steps have been taken to recover the arrears.	Arrears of income should be recovered