

Bingiriya Pradeshiya Sabha - 2020

1 Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Bingiriya Pradeshiya Sabha for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial operations, statement of changes in net assets, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information 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 Subsection 172(1) of the Pradeshiya Sabhas Act, No. 15 of 1987 and provisions of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Bingiriya Pradeshiya Sabha as at 31 December 2020, and 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 based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). 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 Sub-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 to be prepared of the Sabha.

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 judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 Sabha's internal control.
- Evaluate the 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.
- 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 Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Institution;
- Whether the Sabha has performed according to its powers, functions and duties; and
- Whether the resources of the 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 and Regulatory Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- (a) The financial statements presented by the Pradeshiya Sabha are consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Although the stock of stores as at 31 December of the year under review was Rs.4,486,732 according to the Board of Survey Reports, it was Rs.4,277,997 according to the account.	It is informed that action will be taken to correct it in the preparation of final accounts.	This should be corrected through the financial statements for the year 2021.
(b) Value of the lands belonging to the Sabha had not been revalued and due to failure to revalue 37 lands out of 95 lands existed as per the land schedule, those had been stated at Rs.500 or less than that in value.	It is informed that action will be taken to assess and account for the value of these lands.	Action should be taken to assess and account for the value of lands.

1.6.2 Non-reconciled Control Accounts or Reports

Audit Observation	Comment of the Sabha	Recommendation
In relation to 06 items of account, the value as per the financial statements was Rs.344,048,997 and the value as per the schedules was Rs.251,670,356, thus observing a difference of Rs.92,378,641. Action had not been taken to rectify the accounts by reconciling differences of relevant balances.	It is informed that action will be taken to check the schedules and make the relevant updates to minimize this difference.	Accounts should be rectified by reconciling differences of relevant balances.

1.6.3 Lack of Documentary Evidence for Audit

Audit Observation

Details required for the audit relating to an item of account totaling Rs.1,440,999 had not been furnished.

Comment of the Sabha

Documents and schedules will be furnished for audit.

Recommendation

Evidence in support of the account balances shown in the financial statements should be furnished.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 4,391,066 as at 31 December 2020 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 18,894,646.

2.2 Revenue Administration

2.2.1 Performance in Collecting Revenue

Audit Observation

A sum of Rs.5,437,722 out of the court fines for the year under review was due from the Chief Secretary of the Provincial Council and other authorities to the Sabha by 01 March 2021.

Comment of the Sabha

It is informed that action will be taken to recover the arrears.

Recommendation

Action should be taken to recover the arrears.

3. Operating Review

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabhas Act , being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

3.1 Delays in Project Activities or Capital Work

Audit Observation

For the construction work of the Bowatta bus stand which was commenced on 04 November 2015 at an estimated value of Rs.8,528,443, a sum of Rs.8,917,462 had been paid by 2017 and Rs.886,746 had been kept as retaining money. Due to failure in tiling the building, making handrails and landscaping, it remained idle without using.

Comment of the Sabha

As the Pradeshiya Sabha does not have the funds to complete the remaining work on the building and the premises, relevant proposals together with gross estimates have been submitted for allocating funds by the Ministry.

Recommendation

Action should be taken to provide benefits of those assets to the public.