

Bibila Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Bibila 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, Statement of changes in net assets, Cash Flow Statement 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 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 Bibila 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 based on the facts set out 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 principle, 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 scepticism throughout the audit. I further:

- 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 whenever 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) The financial statements of Pradeshiya Sabha are consistent with the preceding year as per the requirement mentioned in Section 6(1)(d)(iii) of the National Audit Act No.19 of 2018.
- (b) The recommendations made by me during the preceding year as per the requirement mentioned in Section 6(1)(d)(iv) of the National Audit Act No.19 of 2018 are included in the financial statements submitted.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

| Audit Observation ----- | Comments of the Sabha ----- | Recommendation ----- |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| (a) Advertising billboard charges in arrears as at 31 December of the year under review was Rs.165,450 but it had been understated by Rs.52,550 as Rs.112,900. | It had been understated by mistake and will be corrected when the accounts are prepared in 2021. | Accounts should be prepared correctly. |
| (b) 75 cemeteries belonging to the Pradeshiya Sabha had not been assessed and accounted for. | It has been informed that the value of the cemeteries will be assessed and taken into account when preparing the accounts for the year 2021. | Accurate assessment should be done and accounts should be prepared correctly. |
| (c) Stamp duty due on 31 December of the year under review was Rs.8,312,250 but it had been understated by Rs.124,000 as Rs.8,188,250. | It had been understated by mistake and will be corrected when the accounts are prepared in 2021. | Accounts should be prepared correctly. |
| (d) The value of 229 plots of land where public wells belonging to the Pradeshiya Sabha had been constructed had not been assessed and accounted for. | 229 plots of land will be accurately assessed and included in the account when the accounts are prepared in the year 2021. | Accurate assessment should be done and accounts should be prepared correctly. |
| (e) The cost of constructing the front roof of the office at a cost of Rs.192,815 during the year under review had not been capitalized. | It has been informed that the cost of repairing the front roof of the office was not capitalized by mistake and will be rectified when the accounts are prepared in 2021. | Accounts should be prepared correctly. |

1.6.2 Documentary Evidences not made available for Audit

| Audit Observation | Comments of the Sabha | Recommendation |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| Information required for Audit in relating to an account subject valued at Rs. 573,777,067 had not been submitted. | The assessments were made by a temporary assessment board appointed by the Sabha and The Valuation Department has been informed to assess the land and buildings. | Evidence confirming the account balance should be submitted. |

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2020 amounted to Rs.14,646,527 as compared with the excess of revenue over recurrent expenditure amounted to Rs.22,090,344 in the preceding year.

2.2 Financial Control

| Audit Observation | Comments of the Sabha | Recommendation |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| According to the Bank Reconciliation Statement prepared on 31 December of the year under review, Rs.210,299.69 had been included as a "reduced amount" in the Bank but such deficit had not been identified and action had not been taken as on March 10 th 2021, the audited date. | The bank reconciliation report for the year 2020 states that the difference cannot be found and that action will be taken to find that difference in the future. | Action should be taken regarding deficiencies or shortcomings in banking transactions. |

2.3 Performance in Revenue Collection

| Audit Observation | Comments of the Sabha | Recommendation |
|---------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| (a) The assessment tax of Rs.4,862,804 due as at 31 December of the year under review, had not been recovered. | Although programs have been organized to collect the arrears, it has not been possible to implement them due to the Covid epidemic. | Rates in arrears should be recovered. |
| (b) Billboard charges of Rs.118,050 due for the year under review for 08 billboards installed in the Sabha area had not been charged. | The relevant institutions have been informed about the payment of arrears and if the payments are not made, legal | Revenue inspectors should conduct surveys, identify billboards and collect fees. |

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|-----|-------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
| (c) | The Water charges of Rs. 212,723 due to the Pradeshiya Sabha had not been recovered. | action will be taken. The water supply to those in arrears has been disconnected and It has been stated that the action will be taken legally to recover the money. | Water charges in arrears should be recovered. |
| (d) | The court fines of Rs.827,083 and stamp duty of Rs.6,652,610 due as at 31 December of the year under review had not been recovered. | It has been informed that requests have been made to recover the arrears. | Court fines and stamp duty in arrears 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 03 of the Pradeshiya Sabha Act are shown below.

3.1 Management Inefficiencies

Audit Observation

Although 23 unauthorized constructions were identified in the Bibila Pradeshiya Sabha area during the year under review, the necessary action had not been taken as at 10th March 2021, the audited date.

Comments of the Sabha

It has been stated that; Notices have been sent to identify unauthorized constructions and to stop them and It has been referred to the monthly council meeting in April 2021 to seek approval for legal action by obtaining reports from the Revenue Inspectors; hence action will be taken to file a case after obtaining the relevant reports and approval.

Recommendation

The provisions of the Pradeshiya Sabha Act No.15 of 1987 should be complied with.