

## **Buththala Pradeshiya Sabha – 2020**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Buththala 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 Buththala 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**

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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**

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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)**

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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

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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) The value of 04 cemeteries of 17,120,000 had not been accounted for and the value of 04 cemeteries had not been assessed.	It has been informed that action will be taken to investigate about the cemeteries again and update the fixed asset register.	An accredited professional valuation should be done and accounts should be prepared properly.
(b) The Creditors for 08 industries performed by the Sabha had been overstated by Rs.61,930 in financial statements.	It has been informed that the accounts will be corrected in the coming year.	Accounts should be prepared correctly.
(c) Stamp duty receivables at the end of the year under review is Rs.2,689,426 but it had been understated by Rs.356,741 as Rs.2,332,685.	It has been informed that the accounts will be corrected in the coming year.	Accounts should be prepared correctly

### 1.6.2 Unreconciled Control Accounts or Records

Audit Observation -----	Comments of the Sabha -----	Recommendation -----
There was a mismatch of Rs.2,984,209 as the value pertaining to 05 account subjects according to the financial statements was Rs.323,187,146 and the value according to the schedule was Rs.320,202,937.	It had been informed that the schedule will be updated and corrected.	Documents and schedules updated correctly and the reasons for mismatch should be found and rectified.

## 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.8,618,055 as compared with the excess of revenue over recurrent expenditure amounted to Rs.5,040,151 in the preceding year.

### 2.2 Revenue Administration

#### 2.2.1 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
(a) Out of the Billed assessment tax revenue during the year under review 1,901,923 and Rs.643,109 had not been recovered as of 31 December. Out of the Assessment tax revenue in arrears of Rs.2,082,535 at the beginning of the year, an amount of Rs.1,499,352 had not been recovered during the year.	It has been informed that the officers in charge of the subject have been instructed to prepare a program to recover the arrears.	Rent in arrears should be recovered.
(b) As at 31 December 2020, A revenue of Rs.12,576,600 had been lost to the Sabha fund, As the monthly rent of 67 shops which had been leased by the Council for a long time had not been complied with the assessment No:MO/RD/498 of the Chief Assessor of Uva Province and the assessment dated 24 <sup>th</sup> July 2018.	It had been informed that the Commissioner of Local Government has instructed to charge the assessed rent currently charged.	Assessed rent should be charged.
(c) The court fine of Rs. 528,978 and stamp duty of Rs.1,446,449 due from the Chief Secretary of the Provincial Council and other authorities had not been recovered.	It has been informed that action will be taken to recover the arrears.	Court fines and stamp duty in arrears should be recovered.