

Bingiriya Pradeshiya Sabha-2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Bingiriya Pradeshiya Sabha for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial operations, Statement of changes in net assets and cash flow statement including 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 Sub-section 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 accompanying financial statements give a true and fair view of the financial position of the Bingiriya Pradeshiya Sabha as at 31 December 2021, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

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 (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 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.

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 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 the Pradeshiya Sabha 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

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

- (a) The financial statements of the Pradeshiya Sabha are in consistence with that of the previous year as required by Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The recommendations made by me during the previous year are included in the financial statements presented as required by Section 61)(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) Since 03 vehicles valued at Rs.810,000 received as the donations during the year under review had not been brought to account, the donation income and the Motor Vehicles and Cart Account had been understated by that amount.	These 03 vehicles had not been assessed and the value thereof had not been submitted to the Sabha even by the date of handing over of the financial statements pertaining to the year under review. It is informed that assessment on these 03 vehicles was carried out on 01.03.2022 and the value thereof was submitted to the Sabha on 05.04.2022.	Fixed assets owned by the Sabha should be brought to account.
(b) Since stamp duty income of Rs.62,593,747 receivable for the year under review had not been accounted for, the stamp duty income and the receivable stamp duty account had been understated by that amount.	This will be accounted for in the future.	Accuracy should be ensured in the accounting process.
(c) Although the court fines receivable in the year under review was Rs.8,209,235, it had been stated as Rs.3,265,225 in the financial statements and as such, the court fines income and receivable court fines value had been understated by Rs.4,944,010.	This will be accounted for in the future.	Accuracy should be ensured in the accounting process.

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| (d) | Since creditors had been overstated by Rs.4,787,152 under 03 Objects during the year under review, expenditure had been overstated by that amount. | Action will be taken to correct these deficiencies in the future. | Accuracy should be ensured in the accounting process. |
| (e) | Although approval had been granted to eliminate recoverable tender rent income of Rs.1,082,221 and recoverable shop rent of Rs.247,447 from accounts due to Corona epidemic during the year under review, action had not been taken to eliminate it and as such, current assets and the expenditure had been overstated and understated by that amount in the financial statements respectively. | Action will be taken to correct it in the year 2022. | Accuracy should be ensured in the accounting process. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the recurrent expenditure of the Sabha in excess of the revenue amounted to Rs. 10,348,736 as at 31 December 2021 as against the revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 4,391,066.

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 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
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(a) The Sabha had irregularly purchased 15 office tables and 20 chairs in the year 2021 by paying Rs.641,750 through the Voucher No.1152 without being	Action will be taken to carry out repairs.	Repairs should be expeditiously carried out from the seller.

prepared specifications and without being appointed the Technical Evaluation Committees in terms of Section 2.8.2 of the Government Procurement Guidelines. According to the price offered by one institution, the price of a chair with 02 years warranty period was Rs.11,900 and 20 chairs had been purchased at Rs.21,850 each without a warranty period that had been offered by another institution. Accordingly, Rs.199,000 had been overpaid. It was observed at the physical inspection carried out in this connection on 13 December 2021 that wheels of several chairs had been detached and the chairs could not be adjusted to the required height and retained at the required level when sitting. The details on the chair manufacturer were not available and chairs could not be repaired due to the lack of warranty period.

- (b) It was observed at the physical verification of stores conducted on 06 December 2021 that Ayurvedic medicines worth Rs.132,970 had expired.
- (c) The land containing 20 perches situated on the right side of the old library of the Bingiriya Mukalanhena had been leased at Rs.240,000 up

Although the said stock has been stored in the stores, it cannot be used due to the closure of the Ayurvedic Centre of the Sabha.

Action will be taken to correct this matter in the year 2022.

Medicine stocks should be used without being expired and the financial regulations should be followed with respect to the expired stocks.

Action should be taken in accordance with the agreements regarding the leased properties.

to 31 December 2021. The tender procedure had not been followed or prices had not been called for in leasing the said property. Although agreements had been signed while giving the lease right for a period of one year, it was observed at the physical audit inspection carried out on 13 December 2021 that a permanent construction had been established there using cement. Although notification was made on 18 December 2021 to remove these unauthorized construction built without permission, the Sabha had not taken action to remove that construction or suspend the lease agreement.