

Bulathsinhala Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Bulathsinhala Pradeshiya Sabha for the year ended 31 December 2020 comprising the balance sheet as at 31 December 2020 and the income and expenditure account, and notes to the financial statements, including a summary of significant accounting policies, 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 Bulathsinhala Pradeshiya Sabha as at 31 December 2020, and of its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities

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 Sri Lanka Public Sector Accounting Standards, 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 (Auditor's Responsibility in Auditing 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 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 per the requirement of Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- (b) The financial statements of the Pradeshiya Sabha are in consistence with that of 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 Non-Compliance with the Public Sector Accounting Standards for the Local Authorities

Non- Compliance with reference to the relevant Standard	Comment of the Sabha	Recommendation
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(a.) Even though the Purchasing Fixed Assets should be stated as investments according to the Section 3.29 of the Public Sector Accounting Standards of Sri Lanka 2017 Assets purchased for Rs.781,330 had not been entered to the Cash Flow Statements.	Actions would be taken to make it correct in the future.	Actions should be taken to account accurately.

- (b.)The amount received as Capital Donations of Rs.44,361,589 for the year under review had been stated under the money received by the Financial Activities in the Cash Flow Statement as Rs.59,537,486 according to the Section 3.30 of the Public Sector Accounting Standards of Sri Lanka 2017.
- Actions would be taken to make it correct in the future.
- Actions should be taken to account accurately.

1.6.2 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) The Detailed Income for the year under review had been Rs.53,899,667, but it had been under stated by Rs.42,662,033 and stated as Rs.11,237,634.	Actions would be taken to make it correct in the future.	Actions should be taken to account accurately.
(b) The Roads and Drainage Systems of Rs.42,662,033 developed by 70 projects during the year under review had not been stated under the Property Plant and Equipment.	Actions would be taken to make it correct in the future.	Actions should be taken to account accurately.
(c) The Book value of Rs.63,204,582 had been entered except for stating the assessed value of 34 Land Allotments and 10 items of Equipment.	Actions would be taken to make it correct in the future.	Actions should be taken to account accurately.
(d) Value of 14 Land Allotments that could not be found in the physical verification had not been assessed and stated in the accounts.	Actions would be taken to make it correct in the future.	Actions should be taken to account accurately.

2. Financial Review

2.1 Financial Results

According to the financial statements presented revenue exceeding the recurrent expenditure of the Sabha amounted to Rs.11,237,634 for the year ended on 31 December 2020 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.8,003,548.

2.2 Revenue Administration

2.2.1 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
(a.) Opening Balance of the Acreage tax for the year under review had been Rs.75,526 and Rs.74,332 or 98 percent of that amount had not been recovered during the year.	An amount of Rs.35,877 had been recognized as an irrecoverable amount and actions would be taken to inform to the concern of the Commissioner of Provincial Council	Amounts of revenue in arrears should be recovered as soon as possible.
(b.) Court Fines of Rs.11,718,167 and Stamp Duty of Rs.12,375,843 had not been recovered by the Chief Secretary and the other officials of the Provincial Council.	The Stamp Duty Registers are being prepared now and actions would be taken to recover in the future.	Amounts of revenue in arrears should be recovered as soon as possible.

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 Sabha 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
(a.) A compensation of rs.7,015,332 had been paid for a private company in the years 2019 and 2020 for court case no.3143/L filed against the Sabha and defeated relating on a Land Auction. But actions had not been taken to have the legal advices as to lessen the loss.	Advices had been requested from the Department of Attorney General for now.	Actions should be taken to lessen the loss of the Sabha.

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| <p>(b.) At first instance the trial of the Court Case had been favourable for the Sabha but, no any disciplinary actions taken on the parties liable for not taking the necessary actions against the adverse decision that Sabha had received after the appeal made by the Land Auction Company.</p> | <p>Inform that actions had be taken on the notice made by the Divisional Court Matugama.</p> | <p>Disciplinary actions should be taken on the liable parties.</p> |
| <p>(c.) Actions had not been taken to investigate that if the lawyer who talked on behalf of the Sabha had been late to inform the Sabha and lapsed the time that Sabha should appeal against the decision of the court. And Rs.5,187,777 out of the payment according the Court Decisions had been paid as at the end of the year under review.</p> | <p>An investigation had been requested and disciplinary actions would be taken.</p> | <p>Disciplinary actions should be taken on the liable parties.</p> |