

## **Bulathkohupitiya 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 Bulathkohupitiya 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 Performance for the year 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. 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 Bulathkohupitiya 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 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**

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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 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 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 also:

- 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 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 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

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

- The financial statements of the Pradeshiya Sabha presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the Act.
- 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 Act.

## 1.6 Audit Observations on the preparation of Financial Statements

### Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) A sum Rs. 52,989 receivable interest related fixed deposit from 15 October to 31 December 2020 had not been brought to account as receivable; therefore shortage had been overstated by the same amount.	Informed that action will be taken to rectify when preparing the account of the year 2021.	The receivable revenue relating to year should be identified and brought to account.
(b) A sum of Rs. 67,700 paid in the year under review for preparing stamp duty schedule in relating to the years 2017, 2018 and 2019 has been brought to account as expenditure of the year and due to a sum of Rs. 96,800 charge related to the year under review had not been brought to account, as a result, the aggregation of net expenditure of Rs. 29,100 had been under accounted.	Because of the Sabha approval has been received to pay for incentive for the preparation of stamp duty schedule from head of expenditure in the year and stated that Payment is made accordingly.	Prior year expenditure should be adjusted to the cumulative fund and expenditures of the year under review should be accounted in the relevant year.

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| (c) | A sum of Rs. 68,885 one per-cent incentive to be paid from court fines Payable as at 31 December of the year under review had not been brought to account.   | Informed that the provision for incentive payment from the court fine received to Local Government has been cancelled with effect from 1 <sup>st</sup> of January 2014 by the Ministry of Local Government Circular No A9/U/Fine/04/03 dated on 19 December 2013. | Answer is a misstatement and expenditure relating to the year should be brought to account. |
| (d) | On behalf of 87 constructions performed by the Supirigamak community based rural development programme implemented under the Ministry of Policy Development and Financed Economy, receivable by that Ministry and payable to contractors of Rs. 8,639,325 had not been brought to account as receivable and payable. | Informed that the action will be taken to account as receivable construction and payable when preparing the final account of the year 2021.   | Amount receivable and payable for construction should be accounted.                         |
| (e) | A sum of Rs. 2,683,765 receivable and payable to contractors on behalf of implementation of the 7 constructions had not been brought to account as receivable and payable.   | Informed that the action will be taken to account as construction receivable and payable when preparing the final account of the year 2021.   | Amount receivable and payable for construction should be accounted.                         |
| (f) | Even though loan payable balance to Local Loan Development Fund as at 31 December 2020 was Rs. 1,284,335. It has been understated by Rs. 110,014 as stated Rs. 1,174,321 in the account.   | Informed that the action will be taken to rectify this when preparing the final account of the year 2021.   | Action should be taken to rectify the accounts.   |

## 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. 957,231 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 3,172,460 in the preceding year.

## 2.2 Revenue Administration

### Performance in Revenue Collection

Audit Observation	Comments of the council	Recommendation
(a) Rates and Taxes		
(i) Action had not been taken to recover the balance of rates outstanding amount of Rs. 94,143 as at the end of the year under review.	Informed that the necessary action will be taken to recover or to write off. If it is unable to recover.	Action should be taken to recover the outstanding and formal procedure should be followed where written off.
(ii) The balance of acreage taxes outstanding amount was of Rs. 21,260 as at end of the year under review.	Informed that the Action will be taken to recover by further investigating the balance.	Action should be taken to recover outstanding and formal action should be followed where written off.
(b) Court fines and stamp fees		
The court fines and stamp duty receivable from the Chief Secretary of the Provincial Council and other authorities were Rs.3,228,709 remained as at 31 December 2020.	Informed that the Commissioner of Local Government has been submitted letters to recover this amount.	Action should be taken to recover due amount to Sabha.