

Bibila Pradeshiya Sabha - 2021

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 31st December 2021 comprising the Statement of financial position as at 31st December 2021, Statement of Financial Operations Statement of changes in net assets, Cash Flow Statement 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 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 financial statements give a true and fair view of the financial position of the Bibila Pradeshiya Sabha as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Practices.

1.2 Basis for Qualified Opinion

I expressed qualified opinion 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 Practices, 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 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.

- (a) 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 National Audit Act, No.19 of 2018.
- (b) 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 National Audit Act, No.19 of 2018.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation -----	Comments of the Sabha -----	Recommendation -----
(a) The land in front of Bibila Hospital with sale value of Rs.600,000, which was legally owned by the Sabha, and the Bogahalanda land of which value was Rs.1,000,000 had not been accounted for.	It has been informed that it will be corrected when the account is prepared in the year 2022.	The value of all lands and buildings owned by the Sabha should be identified and accounted for.
(b) Although, 03 cases were filed for recovery of Rs.32,500 rent and Rs.66,000 late charges levied on rented stalls owned by the Pradeshiya Sabha it had not been revealed in the financial statements of the year under review.	It has been informed that all facts to be disclosed will be disclosed while preparing the financial statements from the year 2022.	Financial statements should disclose all facts that users need to know.
(c) Since in accounting, fixed deposit interest receivable had been under-accounted by Rs.62,691 the surplus and interest receivable had been understated by that amount.	It has been informed that it will be corrected when the account is prepared in the year 2022.	Interest income should be properly identified and accounted for.
(d) Rs.1,287,500 worth of equipment which was purchased for the network project of the Pradeshiya Sabha last year had been accounted for under intangible assets instead of accounting under machinery and equipment.	It has been informed that it will be corrected when the account is prepared in the year 2022.	Assets should be properly classified and accounted for.

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| (e) | The value of 06 tablets and 503 library books received as donations to public libraries was not accounted for. | It has been informed that it will be corrected when the account is prepared in the year 2022. | The value of all assets owned by the Sabha should be identified and accounted for. |
| (f) | In the year under review ,expenditure of Rs.310,504 for installing a door and shelves in the store room of the Pradeshiya Sabha had not been presented under the accounts of land and buildings and income contribution to capital application. | It has been informed that it will be corrected when the account is prepared in the year 2022. | Capital expenditure should be accurately identified and accounted for. |
| (g) | Amount payable to Local Loan Development Fund as on 31 st December of the year under review Rs.5,759,144 has been stated as non-current liabilities, but out of that amount payable for the year 2022, Rs.3,005,026 had not been set aside and accounted for under current liabilities. | It has been informed that it will be corrected when the account is prepared in the year 2022. | Non-current and current liabilities should be correctly identified and accounted for. |
| (h) | Since, Outstanding billboard charges of Rs.131,100 to be charged for the year 2021 had not been adjusted in the accounts, the surplus and current assets had been understated by that amount. | It has been informed that it will be corrected when the account is prepared in the year 2022. | Income in arrears should be correctly identified and accounted for. |
| (i) | Since the cost of Rs.221,051 incurred on constructing a shop in the public market had been accounted as revenue expenditure instead of being accounted as capital expenditure, the surplus and non-current assets was understated by that amount. | It has been informed that it will be corrected when the account is prepared in the year 2022. | Expenses should be correctly classified and accounted for. |
| (j) | Loan amount of Rs.147,776, which was due at the end of the year under review but paid in the year 2022, had not been accounted under creditors. | It has been informed that it will be corrected when the account is prepared in the year 2022. | Creditors should be properly identified and accounted for |

- (k) An amount of Rs.396 000 incurred on the renovation of Bibila public market had been accounted as revenue expenditure instead of being accounted for as capital expenditure, surplus and assets were understated by that amount as they were accounted as revenue expenditure. It has been informed that it will be corrected when the account is prepared in the year 2022. Expenses must be properly classified and accounted for.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31st December 2021 amounted to Rs.34,675,308 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 14,646,526 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
(a) Assessment tax in arrears as on 31 st December of the year under review Rs.1,541,054 had not been recovered.	It has been informed that due to the shut down of the country due to the Covid epidemic, it was not possible to go to the field and collect the money.	Arrears of assessment tax should be recovered immediately.
(b) Shop rents of Rs.1,229,017 to be collected from 21 stalls owned by the Sabha for the year under review had not been recovered.	It has been informed that steps will be taken to recover the outstanding shop rents.	Arrears of rent should be recovered immediately.
(c) By renting out the properties owned by the council in contravention of Section 159 of the Pradeshiya Sabha Act No.15 of 1987, Rs.45,664 from the year 2007, Rs.262,547 in relation to the year 2019 and Rs.2,777,859 for the year under review had not been recovered.	It has been informed that cases have been filed against 09 tenant and other arrears will be recovered in the future.	Court orders should be followed.

- (d) Rs.86,850 to be charged for the year 2020 for 06 advertising billboards installed in the Sabha area and Rs. 87,900 for 08 billboards for the year under review had not been recovered.
- It has been informed that the arrears will be recovered in the future
- The revenue inspectors should carry out the survey and identify the Billboards and collect the charges.