

Beliatta Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Beliatta Pradeshiya Sabha for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2021 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 Beliatta 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 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 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 recommendations made by me during the previous year are included in the financial statements presented 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	Comment of the Sabha	Recommendation
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(a) A Stamp Duty amount of Rs.12,174,102 regarding the year ended 31 December 2016 had been stated in the accounts as a receivable balance even though it had been confirmed by the Provincial Revenue Department it would not be received.	Action would be taken to correct in the future.	The amounts receivable should be accurately identified.
(b) Debtors of Rs.11,228,126 and creditors Rs.1,358,143 had been overstated as at 31 December of the year under review.	Action would be taken to correct by the statement of financial position for the year 2022.	The receivable and payable balance should be accurately stated.
(c) The aggregated amount of loan instalments payable for the Local Loans Development Fund of Rs.2,471,455 during the subsequent year had been incurred in the statement of financial position as the non-current liabilities even though the amount payable within a period less than a year should be stated as current liabilities.	Action would be taken to correct in the future.	Assets should be accurately categorized and stated.

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| (d) | 04 Lands valued of Rs.992,000 had been missed by the financial statements for the year under review therefore the non-current assets had been understated by that amount. | Action would be taken to correct in the future. | Assets should be accurately categorized and stated. |
| (e) | An amount received more when reimbursing the salaries of Rs.244,375 had not been mentioned as a liability. | Action would be taken to correct in the future. | The amount over received by the salary reimbursement should be accurately recognized. |
| (f) | The Process Fee of Rs.979,026 received by the sale of the building applications had not been recognized as an income and stated as a deposit. | The Process Fee received from the May of the year 2022 had been recognized as an income. | The revenue should be recognized accurately. |
| (g) | The value of 03 Lands owned by the Sabha incurred in the Financial Statements had been overstated by Rs.688,880 the value stated in the Fixed Assets Register. | Actions would be taken to correct it by the Statement of Financial Position. | The value in the Fixed Assets Register should be equal to the value stated in the Financial Statements. |
| (h) | Capital Expenditure amounting to Rs.650,350 during the year under review had been stated as recurrent expenditure. | Actions would be taken to correct it by the Statement of Financial Position. | The expenditure should be accurately categorized and stated. |
| (i) | An amount of expenditure regarding preceding year aggregating to Rs.532,994 had been stated as expenditure for the year under review. | Actions would be taken to make it correct in the future. | The expenditure regarding the year should be recognized and stated. |

1.6.2 Unreconciled Control Accounts

Audit Observation

A difference had been observed of Rs.134,759 between 02 items of accounts balances incurred in the financial statements aggregating to Rs.41,152,562 and the amount of Rs.41,287,321 stated in the supplementary registers/ reports.

Comment of the Sabha

Actions would be taken to make it correct.

Recommendation

The differences of the relevant balances should be reconciled and corrected.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha amounted to Rs.7,480,572 for the year ended on 31 December of the year under review as compared with the corresponding the revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 11,544,548.

2.2 Revenue Administration

2.2.1 Performance in Collection of Revenue

Audit Observation	Comment of the Sabha	Recommendation
(a) Rates and Taxes		
Action had not been taken to recover receivable rates and taxes regarding 681 units of Rs.1,415,489.	Actions would be taken to recover the rest of the arrears in the future.	The Arrears income should be recovered as soon as possible.
(b) Rent		
i. Action had not been taken to recover the rent from 9 stalls of Rs.613,916 during the year under review.	Actions would be taken to recover the rest of the arrears in the future.	The Arrears income should be recovered as soon as possible.
ii. Action had not been taken to recover the amount receivable of Rs.801,591 from leasing out 02 Common Markets owned by the Sabha as at 31 December of the year under review.	Actions would be taken to recover the rest of the arrears in the future.	Actions should be taken according to the Act.
iii. Action had been taken to recover the amount receivable from renting out the machinery owned by the Sabha of Rs.1,538,699 as at 31 December of the year under review.	Inform that the notices had been sent for the institutions and persons who hired the machinery to inform to make the payments as soon as possible.	Actions should be taken according to the Act.
iv. Actions had not been taken to recover the key money from 03 stalls owned by the Sabha of Rs.558,000 as at 31 December of the year under review.	A request had been made from the Commissioner of Local Government to make an investigation on Rs.438,000 regarding 02 stalls, and actions would be taken to recover the arrears by the rest stall.	Actions should be taken to recover the Key Money.