

## **Benthota Pradeshiya Sabha - 2021**

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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 Benthota Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising the Statement of financial position as at 31 December 2021, Statement of Financial Operations, 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 the 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 accompanying financial statements give a true and fair view of the financial position of the Benthota 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 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

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The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshिया Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

## 1.6 Audit observations regarding the preparation of financial statements

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### 1.6.1 Accounting Deficiencies

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Audit Observation	Comment of the Sabha	Recommendation
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(i) The compactor valued at Rs. 6,221,373 given to the council on 09 February 2019 had not been accounted.	Action will be taken to rectified in future	Should be accounted correctly.
(ii) The value of 47 plots of land had not been taken into account when indicating the value of Land and Buildings in the year under review,.		
(iii) The value of Rs.577,050 for furniture and fitting and the value of Rs.353,605 computer machines and accessories had not been accounted in the year under review.		
(iv) The creditor balance of Rs.82,000 as at 31 December of the year under review had not been accounted.		

### 1.6.2 Non-reconciled control account or report

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Audit Observation	Comment of the Sabha	Recommendation
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There was a difference sum of Rs. .3,096,113 in between the balance value of 12 accounting items in the financial statements and balance value in relevant utility registers as at 31 December of the year under review.	The Action will be taken to correct in future.	Differences should be identified and corrected.

## 1.7 Non compliances

### 1.7.1 Non compliances with laws rules and regulations

Reference to laws rules regulations	Non compliance	Comment of the Council	Recommendation
Financial Regulations 570, 571 and 572 of the Democratic Socialist Republic of Sri Lanka	Above Regulations had not been complied regarding 148 deposits, including 134 mixed deposits valued at Rs.1,213,512 and 08 security deposits, which exceeded 02 years from the date of deposit,.	Action will be taken to get income.	Should be comply with the Financial Regulations.

## 2. Financial Review

### 2.1 Financial Result

According to the Financial Statements presented, revenue over recurrent expenditure of the Sabha for the year ended 31 December 2021 amounted to Rs. 1,791,182 as compared with against the revenue over recurrent expenditure amounted to Rs. 9,492,275 in the preceding year.

### 2.2 Revenue Administration

Audit Observations	Comment of the Sabha	Recommendation
Rate and Tax		
It was observed that Rs.366,728 should be collected from 05 taxpayers in arrears of more than Rs.50,000 and Rs.4,680,126 from 06 taxpayers in arrears of more than Rs.100,000 as at 31 December of the year under review.	Action will be taken to recover the arrears.	Arrangements should be made to recover the arrears.

## 3. Operational Review

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 3 of the Pradeshiya Sabha Act are shown below.

### 3.1 Assets Management

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Audit Observation	Comment of the Sabha	Recommendation
<p>-----</p> <p>The compactor which was given for Rs.6,221,373 by the Ministry of Internal and Home Affairs and Provincial Councils and Local Government for the purpose of waste management in the council area was parked unused in the council premises since 09 February 2019 when it was received by the council. As per Section 94 of the Pradeshiya Sabha Act No. 15 of 1987, it was observed that this vehicle is idle due to the absence of a formal plan for Waste Management.</p>	<p>-----</p> <p>Action will be taken present it to the council and make a decision.</p>	<p>-----</p> <p>Assets should be utilized.</p>