

Bulathkohupitiya Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Bulathkohupitiya Pradeshiya Sabha for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial operations, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information 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 Subsection 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 financial statements give a true and fair view of the financial position of the Bulathkohupitiya Pradeshiya Sabha as at 31 December 2022, and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

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 (SLAuS). 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 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 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 of the Sabha.

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the 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 skepticism 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 Sabha's internal control.
- Evaluate the 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.
- 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 Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Institution;
- Whether the Sabha has performed according to its powers, functions and duties; and
- Whether the resources of the 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 presented by the Pradeshiya Sabha are 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	Comment of the Sabha	Recommendation
(a)	A sum of Rs.160,200 received from telephone column and carnival tickets had been deposited as deposits.	Action will be taken to bring into the revenue	Should be brought to accounts accurately
(b)	According to the Pradeshiya Sabha Accounts Code ,accounting of roads was not carried out. However, roads of Rs.123,795,437 had been brought to accounts.	Road will be developed after nomination of the industry by the Central Government and Provincial Council , and in that occasion it will be looked into whether the road is belonging to the Sabha .	do
(c)	A baler machine valued at Rs.800,000 and the rentals receivable amounting to Rs.10,060 had not been brought to accounts.	Will be included in the preparation of accounts in the year 2023	do

1.6.2 Un- reconciled Control Accounts

Audit Observation	Comment of the Sabha	Recommendation
A difference of Rs.99,805 was existed in reconciling of the balance as at 31 December 2022 for 08 items of accounts according to the statement of financial performance with the balance existed as at that date in the relevant subsidiary documents.	Will be corrected the difference by looking into the matter.	The vales in the financial statements can be reconciled with subsidiary documents.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 1,854,628 as at 31 December 2022 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.872,922.

2.2 Revenue Administration

Estimated Revenue, Billed Revenue, Collected Revenue and Outstanding Revenue

According to the information presented, the information on estimated revenue, billed revenue, collected revenue and revenue in arrears relevant to the year under review and the preceding year are given below.

Source of Revenue	2022			2021				
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs	Rs	Rs	Rs.	Rs	Rs	Rs	Rs
Rates and Taxes	1,851,150	1,937,458	1,978,800	152,753	1,736,000	1,754,219	1,662,621	223,738
Rents	6,202,500	2,089,923	2,089,923	523,465	2,804,800	1,827,873	1,836,773	523,465
Licenses fees	386,200	303,900	303,900	-	410,200	393,760	380,860	-
Other income	<u>3,851,650</u>	<u>2,427,747</u>	<u>2,480,947</u>	-	<u>3,001,400</u>	<u>2,837,216</u>	<u>2,791,430</u>	<u>37,580</u>
	<u>12,291,500</u>	<u>6,759,028</u>	<u>6,853,570</u>	<u>676,218</u>	<u>7,952,400</u>	<u>6,813,068</u>	<u>6,671,684</u>	<u>784,783</u>

2.2.2 Performance on Collecting Revenue

	Audit Observation	Comment of the Sabha	Recommendation
(a)	A sum of Rs.630,612 was due from the items of revenue such as rates, acreage tax and stall rents as at 31 December 2022. That value included a balance of Rs.523,465 over due between 01 year to 05 years.	The money in arrears will be recovered in the future.	Revenue in arrears should be recovered immediately.
(b)	As charging of rents from stalls contrary to the government valuation and on the decision of the Sabha, rent income of Rs.2,388,750 had been lost from the year 2011 to 2014.	The information stated is correct	The income lost to the Sabha should be charged from responsible persons.

3. Operating Review

3.1 Management Inefficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)	The aids amounting to Rs.300,000 received for COVID pandemic in preceding years, had been deposited in the fixed deposit without utilizing in the same task.	Required goods had been purchased under expenditure heads by a mistake. It will be rectified in the year 2023	Necessary rectifications should be done.

(b)	Industrial debtors balance amounted to Rs.624,554 was older than 01 year to 03 years and a creditors balance amounted to Rs.87,200 older than 01 year to 04 years period was existed.	A part has been received by this time and a part of the balance payable has been settled.	Debtors and creditors balances should be maintained in an up to date manner.
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3.2 Transactions of contentious nature

Audit Observation	Comment of the Sabha	Recommendation
The Sabha had failed to provide information regarding the iron parts of the bridge ,when removing of old iron bridge constructed over Punehela river of Pannala, Hathagoda .	There is no file in the Pradeshiya Sabha regarding this matter .	An investigation should be done regarding this matter.

3.3 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) The compactor valued at Rs.6,221,373 which is received in the year 2019 to the Sabha, was remained idle from the received date.	It is scheduled to be handed over the same machine to Godakawela Pradeshiya Sabha.	Assets should be utilized effectively.
(b) Three vehicles amounted to Rs.5,045,318 belonging to the Sabha was remained in non-operational condition since the period from 02 years to 05 years.	Due the financial condition of the Sabha is bad, repairing of those vehicles is delayed.	Repairing should be done immediately.
(c) Action had not been taken to vest 10 vehicles amounted to Rs.20,551,373 and 02 trailers amounted to Rs.523,000 which are used by the Sabha .	Vesting activities has been delayed due to the existing economic crisis and the Ministry of Public Administration had informed in writing to take actions to vest the ownership of vehicles.	Action should be taken to vest immediately.
(d) Two vehicles had been remained in unused condition from the period of more than 02 years and 02 tractors was remained under utilized.	Action will be taken to utilize vehicles effectively.	Assets should not be kept unused .