

Balapitiya Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Balapitiya Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Statement of financial position as at 31 December 2022, Statement of Financial Operations, statement of changes in net equity, 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 Balapitiya Pradeshiya Sabha as at 31 December 2022, 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

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

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 skepticism 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

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

- (a) Financial Statements of the Pradeshiya 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

1.6.1 Accounting Deficiencies

Accounting Deficiencies	Comment of the Sabha	Recommendation
(a) The construction work creditor balance was under-stated by Rs.6,393,345.	Will be corrected in the future.	Should be accounted correctly.
(b) Fixed assets of Rs.157,385 purchased during the year under review had not been accounted.	- do -	- do -
(c) Interest income of Rs.1,591,955, relating to 04 fixed deposits opened during the year 2022, was not accounted.	- do -	- do -
(d) There was a difference of Rs.638,854 between the balance shown in the final accounts and the balance as per the ledger in respect of 05 accounts as at the last date of the year under review.	- do -	- do --
(e) In the correction of construction work retention deposit amounting to Rs.1,603,957 enter under creditor, the Constructions work Retention Deposits were understated by Rs.3,207,914 and Creditor balance was overstated.	- do -	- do -
(f) Due to the 06 Subject balance was not being correctly transferred to the income and expenditure account as per the ledger, the income of the year was understated by Rs.1,001,612.	Will be corrected in the future.	Should be accounted correctly.

- (g) Due to not transferring the correct balance to the income and expenditure account, as per the ledger accounts of 05 expenditure heads, the expenditure of the year was overstated by Rs.422,452. - do - - do -

1.6.2 Non reconciled control account or records

Accounting Deficiencies

There was a difference of Rs. 21,354,859 between the balances related to 07 accounting items shown in the financial statements as at 31 December of the year under review and the balances shown in the related schedules.

Comment of the Sabha

Will be corrected in the future.

Recommendation

The action should be taken to rectify after comparing differences.

1.6.3 Lack of Documentary evidence for Audit

Accounting Deficiencies

The detailed schedules for the confirmation of 08 accounting items aggregating to Rs. 116,937,156 had not been submitted.

Comment of the Sabha

The values will be revaluated and these schedules corrected.

Recommendation

Evidence should be submitted to confirm the account balances.

1.7 Non-compliances

1.7.1 Non-compliance with Laws, Rules, Regulation and Management Decisions

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below.

Reference to Laws, Rules, Regulation and Management Decisions	Non – Compliance	Comment of the Sabha	Recommendation
The Section 23 and 24 of the Pradeshiya Sabha Act No. 15 of 1987	A Road Inventory Register containing details of 329 roads of 338 km owned by the Sabha was not maintained.	Will be updated in the future.	The action should be taken according to the Act.

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2022 amounted to Rs.14,183,781 as compared with the excess of revenue over recurrent expenditure amounting to Rs.6,809,044 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

According to the information presented by the Sabha, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are given below.

Source of Revenue	2022				2021			
	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
Rates and Taxes	13,360,000	18,093,709	13,462,321	31,351,245	13,525,000	18,388,236	12,069,646	26,719,857
Rent	3,320,000	5,194,295	4,248,992	2,505,317	2,850,000	4,551,968	3,786,740	1,560,014
License Fees	6,015,000	2,956,712	2,947,962	14,950	10,550,000	4,944,122	4,954,372	6,200
Other Income	7,947,000	7,980,366	7,980,366	-	10,880,500	9,478,574	9,478,574	-
	<u>30,642,000</u>	<u>34,225,082</u>	<u>28,639,641</u>	<u>33,871,512</u>	<u>37,805,500</u>	<u>37,362,900</u>	<u>30,289,332</u>	<u>28,286,071</u>

2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Sabha are given below.

Accounting Deficiencies	Comment of the Sabha	Recommendation
(a) The total outstanding income amounting Rs. 33,871,512 and at the end of the year under review it was Rs. 28,286,071 as at 01 January of the year under review.	The revenue inspectors are working to increase the revenue.	The arrears of income should be recovered as soon as possible.
(b) As at the beginning of the year under review, the rates and tax income to be collected was Rs.26,719,857. Billings during the year were Rs.18,093,709, and although the total revenue to be collected was Rs.44,813,566, the revenue collected during the year was Rs.13,462,321, there was a balance of Rs.31,351,245 at the end of the year under review.	A special program is implemented to collect assessment tax.	The arrears of income should be recovered as soon as possible.
(c) The action had not been taken to impose assessment tax for Kosgoda sub-office area as per the Section 134 of the Pradeshiya Sabha Act No. 15 of 1987.	The further action will be taken according to the Act.	Areas related to assessments should be identified and

		assessed taxes should be levied.	
(d)	Shop room rent receivable at the beginning of the year under review was Rs.1,560,014 and at the end of the year it was Rs.2,505,317	The legal action has been taken to recover the arrears.	The arrears of income should be recovered as soon as possible.
(e)	A key money of Rs. 2,918,033 was receivable to the Sabha from 18 shop room in Ahungalla Public Market.	The stalls which have not been paid key money will be sealed.	The arrears of key-money should be recovered
(f)	The stamp fees receivable amounting to Rs.34,415,570 and court fines amounting to Rs.745,750 as at 31 December 2022.	The Chief Secretary has been informed	The arrears of income should be recovered as soon as possible.

3. Operational Review

3.1 Assets Management

Accounting Deficiencies

- (a) The upper floor of the two-storied building behind the Kosgoda sub-office was lying idle since 2006.
- (b) The tractor value Rs.800,000 received from the Director of Health Services was not acquired.
- (c) The land of Kandegoda Public Stadium located in front of the Vathugedara sub-office of Balapitiya Pradeshiy Sabha, which is 26.37 perches of 01 acres, had not been acquired to the Sabha.

Comment of the Sabha

- It will be used in the future.
- The action will be taken acquired
- The action will be taken acquired.

Recommendation

- Idle assets should be utilized effectively.
- The asset should be acquired
- The asset should be acquired.

3.2 Human Resource Management

Accounting Deficiencies

There was a loan balance of Rs.257,722 due on 31 December 2022 from 04 officers who was retired and died after serving in the Sabha.

Comment of the Sabha

The action will be taken to resolve in the future.

Recommendation

The outstanding employee loan balances should be recovered as soon as possible.