

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of financial statements of the Bandarawela 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 performance, statement of changes in equity, 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 Bandarawela Pradeshiya Sabha as at 31 December 2022, and its financial performance and cash flows 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 (SLAS). 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 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 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 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**

The special provisions are included in relation to the following requirements specified in the National Audit Act, No.19 of 2018.

- (a) According to the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018, the financial statements of the Pradeshiya Sabha are consistent with the preceding year.
- (b) The financial statements presented includes 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 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) Library books purchased at a cost of Rs.64,209 during the year under review had not been brought to account.	It will be rectified in the ensuing year.	Accounts should be prepared accurately.
(b) A sum of Rs.448,347 pertaining to 02 construction works not completed in the year under review, had been brought to accounts as industrial creditors.	Accounts have been prepared based on the balances in books of accounts of employee security deposits while there is a difference between those balances and the balance in the account.	-do-
(c) Information of 02 court cases filed by the Sabha and 04 court cases filed against the Sabha as at 31 December of the year under review had not been revealed in the financial statements.	It will be rectified in the ensuing year.	-do-

## 2. Financial Review

### 2.1 Financial Result

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs.9,813,638 for the year under review ended on 31 December as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.2,878,584.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Outstanding Revenue

According to the information made available by the Chairman, particulars on the estimated revenue, billed revenue, collected revenue and outstanding revenue relating to the year under review and the preceding year, are as follows.

Source of Revenue	<u>2022</u>				<u>2021</u>			
	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.
(i) Rates and Taxes	597,470	600,143	412,051	188,092	452,670	454,891	336,653	118,238
(ii) License Fees	350,000	357,800	357,800	0	400,000	400,450	400,450	0
(iii) Other Revenue	17,070,000	25,879,559	12,299,792	13,579,767	15,965,000	15,929,977	6,706,333	9,223,644
<b>Total</b>	<b>18,017,470</b>	<b>26,837,502</b>	<b>13,069,643</b>	<b>13,767,859</b>	<b>16,817,670</b>	<b>16,785,318</b>	<b>7,443,436</b>	<b>9,341,882</b>

### 3. Operating Review

#### 3.1 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
Fifty one (51) items of 17 units of goods which were auctioned and destroyed as per the Board of Survey Report of the preceding year had not been eliminated from accounts.	It will be rectified in the ensuing year.	Accounts should be prepared accurately.

#### 3.2 Deficiencies in Contract Administration

Audit Observation	Comment of the Sabha	Recommendation
Constructions of 5 trade stalls had been completed at the Amunudowa play ground which belongs to the Sabha by making part payments totalling Rs. 14,614,183 under the Local Development Support Project (LDSP) during the year under review. When making payment for plastering the trade stalls constructed, a sum of Rs. 146,059 had been overpaid for 62.16 square metres.	These payments have been checked by a committee including the Engineer of the Local Development Support Project and their approval has been given for making payments. The Project Director has been informed of these payments and overpayments will be deducted from the last bill as per the instructions received.	Sums overpaid should be recovered.

#### 3.3 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) Fifty five (55) cemeteries and a play ground had not been valued and brought to account.	The cemeteries will be vested in the Provincial Council by the Divisional Secretary in the future.	All the lands belonging to the Provincial Council should be valued and brought to account.
(b) Even though a Sabha building, a library and a building for a Pre School had been constructed on a land with one acre that belongs to the Haputale Provincial Council during the year 1956, the legal ownership of the land had not been settled despite a lapse of 66 years by the year under review.	Even though requests have been made for transferring the ownership of land, the General Assembly of Haputale Provincial Council has rejected that request.	Action should be taken to settle the ownership of the land.