

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Bulathsinhala Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Statement of Assets and Liabilities as at 31 December 2022, Comprehensive Income Statement, 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 Bulathsinhala Pradeshiya Sabha as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

**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 statement

### 1.6.1 Non-compliance with Sri Lanka Public Sector Accounting Standard for Local Authorities

| Non-compliance with reference to relevant standard   | Comment of the Sabha   | Recommendation  |
|--|--|---|
| The statement of cash flows has not been prepared in accordance with Chapter No. 3.27 to 3.32 of the Standard. | This shortcoming will be rectified when submitting the financial statements for the year 2023. | The cash flow statement should be prepared in accordance with the public sector accounting standard for local Government Authorities. |

### 1.6.2 Accounting Deficiencies

| Audit Observation  | Comment of the Sabha   | Recommendation  |
|--|--|---|
| (a) Rs.56,900 value of library books which were written off from the financial statements during the year under review, amounting to Rs.10,811 was not written off from the accumulated depreciation accounts. | This shortcoming will be rectified when submitting the financial statements for the year 2023. | Should be properly accounted.   |
| (b) The employee's deposit amount of Rs.149,867 and the value of deposit investment corresponding to that amount were not shown in the financial statements as at 31 December of the year review.              | It will be shown in final account of the year 2023 as a disclosure.                            | A current asset and a current liability should be shown in the statement of assets and liabilities. |

### 1.6.3 Non reconciled control account or Records

| Subject   | Comment of the Sabha   | Recommendation   |
|---|--|--|
| There was a difference of Rs.156,856 between the balances of the financial statements of 02 accounting items and the balances shown in their related schedules. | This shortcoming will be rectified when submitting the financial statements for the year 2023. | The differences in the balances should be compared and the accounts should be corrected. |

## 1.7 Non-compliances

### 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   |
|--|--|--|--|
| (a) The Section 158(a) of the Pradeshiya Sabha Act No. 15 of 1987        | The prohibition of property had not been done as the last step to collect assessment tax.  | The property will be banned in the future.               | Action should be done according to the Pradeshiya Sabha Act.   |
| (b) The Public Administration Circular No. 02/2018 dated 24 January 2018 | Although annual performance agreements are required to be signed for all staff, performance agreements were not signed for 107 of the staff members for the year under review. | Performance agreements will be signed for the year 2023. | As per Public Administration Circular, performance agreements should be signed for the entire staff members. |

## 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.5,420,731 as compared with the excess of revenue over recurrent expenditure amounting to Rs.15,093,695 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 as follows

| 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) |
| (i) Rates and Taxes | 4,247,502              | 3,332,380           | 3,607,292              | 1,984,073                      | 4,247,502              | 3,327,702           | 2,911,808              | 2,090,129                      |
| (ii) Rent           | 5,281,000              | 2,975,519           | 4,634,214              | 236,173                        | 3,930,000              | 2,439,545           | 3,910,106              | 374,584                        |
| (iii) License Fees  | 880,500                | 410,166             | 593,775                | 72,041                         | 881,000                | 410,166             | 577,666                | 41,000                         |
| (iv) Other Revenue  | 88,011,416             | -                   | 96,958,113             | -                              | 85,412,600             | -                   | 74,755,844             | -                              |
|                     | <u>98,420,418</u>      | <u>6,718,065</u>    | <u>105,793,394</u>     | <u>2,292,287</u>               | <u>94,471,102</u>      | <u>6,177,413</u>    | <u>82,155,424</u>      | <u>2,505,713</u>               |

## 2.2.2 Performance in Revenue Collection

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

| Audit Observation   | Comment of the Sabha   | Recommendation   |
|---|--|--|
| (a) Although the number of assessable tax properties identified during the year under review was 4,801, out of which 595 properties had not been charged assessment tax.  | The 184 non-assessable tax properties will be charged assessment tax by 31 March 2023. | Actions should be taken to recover the assessment tax from the identified assessable tax properties. |
| (b) From the assessment tax deficit at the end of the year under review, Rs. 710,791 should be collected from the period between 01 to 03 years, Rs. 329,217 between 03 to 05 years, Rs. 700,963 between 05 to 10 years and the arrears over 10 years was Rs. 16,290. | The part of the arrears of assessment has been collected.                              | The action should be taken to recover the arrears of income as soon as possible.                     |
| (c) The business tax deficit was Rs.169,800 at the beginning of the year under review, and Rs.132,000 or 78 percent was not collected during the year.  | The rest of the deficit will be recovered.   | -do-   |
| (d) The deficit of trade license fees was Rs.41,000 at the beginning of the year under review and Rs.34,000 or 83 percent of it was not collected during the year.  | -do-   | -do-   |
| (e) The court fines due from the Chief Secretary of the Provincial Council and other authorities on 31 December 2022 amounted to Rs.13,000,000 and stamp fees was Rs.22,706,105.  | The court fines and stamp fees schedules for the year 2022 are being prepared.         | Schedules should be prepared promptly and arrangements should be made to bring in the due income.    |

## 3. Operational Review

### 3.1 Performance of functions assigned by the Act

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 Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

| Audit Observation   | Comment of the Sabha  | Recommendation   |
|---|---|--|
| According to section 93 of the Pradeshiya Sabha Act No. 15 of 1987, it shall be the duty of the Pradeshiya Sabha to take all necessary measures | The service will be duly provided after getting a Gully Bowser. | Necessary facilities should be arranged for proper disposal of waste |

for proper cleaning and emptying of all latrines and latrine pits within the proper period. However, there was no gully bowser service for 1 ½ years to dispose of waste in the area.

within the area.

### 3.2 Management Inefficiencies

| Audit Observation   | Comment of the Sabha  | Recommendation                                       |
|---|---|--|
| According to the fixed assets register, 53 out of 82 lands owned by the Sabha and 23 out of 32 buildings were not assessed and accounted. | The Valuation Department has been informed for valuation of land and buildings. | Land and buildings should be assessed and accounted. |

### 3.3 Assets Management

| Audit Observation   | Comment of the Sabha  | Recommendation  |
|---|---|---|
| (a) According to Section 127 of the Pradeshiya Sabha Act No. 15 of 1987 and Ordinance No. 57 of 1946 No. 57 of 1946 on Public Cemeteries and Private Cemeteries Ordinance No. 03, the local council, which is the competent authority, had not acquired 33 cemeteries within the jurisdiction of the Sabha. | It is planned to be gazette after getting the acquiring orders for the respective cemeteries. | According to the Cemeteries Ordinance, arrangements should be made to acquire the cemeteries. |
| (b) 07 market stalls, 03 shop rooms, 11 fish shops and 03 shops in Bulathsinhala shopping complex in Eggal Oya Economic Centre remained idle without lease for the year under review.   | The several shop rooms have been arranged for lease.  | Arrangements should be made for leasing all the shop rooms.                                   |