

**1. Financial Statements**

**1.1 Opinion**

The audit of the financial statements of the Bulathsinhala Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of Assets and Liabilities as at 31 December 2023, , Comprehensive Income Statement, Statement of changes in net assets/ equity, Cash Flow Statement for the year then ended and notes to the financial statements including material accounting policy 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 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. .

The accompanying financial statements give a true and fair view of the financial position of the Bulathsinhala Pradeshiya Sabha as at 31 December 2023, 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 Opinion**

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 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 Sri Lanka Public Sector Accounting Standards for Local Authorities. 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.

## 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 2023 amounted to Rs. 2,103,503 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 5,420,731 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 Secretary, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are as follows

Source of Revenue	2023				2022			
	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	4,502,502	3,399,060	3,905,678	1,658,843	4,247,502	3,332,380	4,311,869	1,984,073
(ii) Rent	5,431,000	2,702,889	5,021,657	129,404	5,281,000	2,975,519	5,161,784	236,173
(iii) License Fees	1,005,500	572,843	888,338	37,500	880,500	410,166	600,775	72,041
(iv) Other Revenue	11,056,500	-	9,560,738	-	88,011,416	-	96,958,113	-
	<u>21,995,502</u>	<u>6,674,792</u>	<u>19,376,411</u>	<u>1,825,747</u>	<u>98,420,418</u>	<u>6,718,065</u>	<u>107,032,541</u>	<u>2,292,287</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)	<b>Rates and Taxes</b>		
	(i) Although the assessment tax deficit at the beginning of the year under review was	Proceedings to recover arrears of income.	Actions should be taken to recover the arrears.

Rs.1,790,198, out of that Rs.860,274 or 48 percent had not been collected.

(ii) Although the assessment tax billing in the year under review was Rs.2,090,106, out of that Rs.582,209 or 28 percent had not been recovered at the end of the year. Proceedings to recover conversion income should be arrears of income. recovered.

(iii) Although the acreage tax deficit in the year under review was Rs Rs.61,912, out of that Rs. Rs.48,509 or 78 percent had not been recovered at the end of the year. The uncollected balance is Rs. 39,192 and that it will be recovered soon. Actions should be taken to recover the arrears.

(b) **Other income**

Court fines due from the Chief Secretary of the Provincial Council and other authorities on 31 December 2023 amounted to Rs.7,000,000 and stamp duty was Rs.13,441,015. Proceedings to recover income The action should be taken to recover the income as soon as possible.

**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.

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
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 for proper cleaning and emptying of all latrines and latrine pits within the proper period. However, there was no gully bowser service for 2 ½ years to dispose of waste in the area.	The relevant public requests will be forwarded to Agalawatta or Horana local councils.	Necessary facilities should be arranged for proper disposal of waste within the area.

**3.2 Identified Losses**

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
Even though no land had been allotted to the sabha for public purposes ,a vice-chairman of the sabha had approved the plot no. 278 which was divided on 15 May 1992 by Guru's Real Estate Trading Company without any approval authority. Although the sabha had planned to acquire a part of this land to build a public stadium for the Bulathsinghala pradeshiya sabha	That investigations have been initiated.	Reference money should be processed as per regulations.

since 1996, Guru's real estate trading company filed a lawsuit against the sabha for not acquiring the relevant land to the sabha until 2001 and according to its decision, the total amount of Rs.7,839,997 was paid by the sabha as compensation to Guru's real estate company as at December 2022. However, the sabha had not taken any action against the Vice-Chairman regarding his illegal action and the parties responsible for the financial loss caused to the sabha had not been identified and recovered in accordance with Finance Regulations 108 and 156 at the end of the year under review.

### 3.3 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
Although library books taken away by the readers should be returned within 14 days, 644 library books valued Rs. 140,290, which have been taken away for more than 20 years from the 05 libraries owned by the sabha, have not been returned at the end of the year under reviewed and no action was taken to recover the value from the respective parties.	That the value will be recovered.	Arrangements should be made to returned back the library books or recover the value from the relevant parties

### 3.4 Assets Management

	Audit Observation	Comment of the Sabha	Recommendation
(a)	At the end of the year under review, the ownership of 03 vehicles had not been taken over.	That the ownership of the vehicle has not been transferred in the name of the company	Arrangements should be made to transfer ownership of vehicles to the name of the institution
(b)	According to Section 127 of the Pradeshiya Sabha Act No. 15 of 1987 and Ordinance 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.	For 12 cemeteries, the Urban Development Authority and the Central Environment Authority will carry out the takeover activities recommended.	Proceed as per the referred Act.

### 3.5 Defects in Contract Administration

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
Under the first phase of the Rural Road Rehabilitation Project (IProject), 05 roads were fully developed and 05 roads were partially developed in the sabha area. Although the stones removed during the development of the inter-connected blocks were to be returned to the sabha, some of the connected blocks had been placed on private land without being handed over to the sabha.	That 05 roads will be paved with stones for development and the remaining stones will be brought to the sabha.	Arrangements should be made to get the block stones that were not handed over to the sabha.

### 3.6 Human Resource Management

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
Sabha had not recovered the Debt of Rs.262,840 from 04 officers during the period from 2001 to 2021 as at 31 December of the year under review.	Informing the guarantors, collecting the debt, referring to the conciliation board and collecting money from widows and orphans.	Debt balances should be recovered.