Bulathkohupitiya Pradeshiya Sabha – 2024
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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Bulathkohupitiya Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and Statement of financial performance, Cash Flow Statement, Statement of changes in equity 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, the sub section 172(1) of Pradeshiya Sabha Act No. 15 of 1987. 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 financial statements give a true and fair view of the financial position of the Bulathkohupitiya Pradeshiya Sabha as at 31 December 2024, 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

I expressed qualified opinion on the financial statement based 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 scepticism 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

National Audit Act, No. 19 of 2018 include specific provisions for following requirements.

(a) The financial statements of the pradeshiya sabha presented is 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 of this report 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	Comments of the Council	Recommendation
(a)	The Non-Current Assets and Contribution from Revenue to Capital Outlay Account was understated due to the fact that a computer machine valued at Rs. 69,000 included in the Fixed Assets register had not been capitalized.	Correcting journal entries have been used in the preparation of the 2025 annual accounts.	Assets must be accounted for correctly.
(b)	Due to the fact that 02 machines worth Rs. 174,060 received as donations from the Divisional Secretariat were debited to the general warehouse account, the balance of machinery and equipment was shown to be less by that value, and the balance of warehouse stocks was shown to be more.	That will correct it using journal entries.	The value of the donation must be accurately accounted.
(c)	The operating surplus and current assets for the year were understated by the value of stationery items worth Rs. 66,754 received as donations from the Divisional Secretariat during the year under review.	Since stationery was not accounted for correctly due to an oversight, journal entries have been used to correct it.	Donations must be accounted for correctly.
(d)	Operating surplus and current assets were understated by the same amount due to the non-accounting of interest receivable on fixed deposits of Rs. 27,688.	Journal entries have been used to correct.	Interest receivable must be accounted for correctly.
(e)	The values of 33 of stores stock items at the end of the year under review had not been identified and accounted for.	Once the prices are given, corrections will be made using journal entries.	All stores stocks must be accurately accounted for.

1.7 Non- Compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka 571(2)	06 public deposit balances of Rs. 574,220, which were over 02 years old, had not been settled.	That will be resolved in the future.	Financial regulations must be followed.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 6,363,187 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 1,847,257 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 submitted by the Secretary, the estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

ource of income	2024				2023			
	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	R evenue billed	Revenue collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	2,041,000	1,958,724	1,829,390	370,778	1,835,700	2,195,562	2,199,343	-363,642
Rent	2,472,900	1,459,563	1,378,038	90,853	3,871,800	1,709,817	1,677,797	2,194,003
License fees	460,300	407,195	384,145	39,200	412,200	360,225	354,425	57,775
Other Revenue	3,640,200	3,681,430	3,612,045	7,600	4,005,100	2,997,892	2,944,839	5,000
	8,614,400	7,506,912	7,203,618	508,431	10,124,800	7,263,496	7,176,404	1,893,136

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Council are given below.

Audit Observation	Comments of the Council	Recommendation
Rs. 98,231 of the outstanding assessment tax balance that was due at the end of the year under review had not been collected by May 2025. Furthermore, arrangements had not been made to assess the property once every 5 years for the collection of assessment.	That a plan will be prepared and steps will be taken to recover the outstanding amount.	Steps should be taken to recover arrears of revenue and to assess the property once every 5 years.

3. Operational Review

3.1 Operational Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	According to the Pradeshiya Sabha (Finance and Administration) Rules 218 of 1988, all lands and buildings used and occupied by the sabha should be inspected once a year by an inspection board, but such action had not been taken.	That a land and building survey will be conducted in conjunction with the annual commodity survey and that it will be documented according to the relevant forms.	The Pradeshiya Sabha (Finance and Administration) Rules should be followed.
(b)	Although it had taken 3 years to install the electrical system at a cost of Rs. 70,216 to obtain electricity for the public toilets at Nalagana Ella and Dedugala, the electricity connection had not been obtained.	That work will be done to provide electricity in the future.	Arrangements should be made to obtain electrical connections for the reffered locations.
(c)	Although the sabha could have generated income by renting out the backhoe machine, the constant breakdown of the machine had adversely affected income generation. The sabha had not taken steps to increase income by regularly maintaining and repairing the machine.	Repair work has begun on the backhoe loader and it is hoped that it will be used for income generation once the work is completed.	Repairs and maintenance should be carried out not delay.

3.2 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	A land measuring 10 perches and 01 roods purchased by the council in 2016 and 02 other land parcels remained idle, and one of the lands had been illegally acquired.	That steps will be taken to cultivate suitable crops on these lands and other lands in the future.	Assets must be utilized effectively.
(b)	The ownership of 2 lands and 10 cemeteries, measuring 1 acre 4 roods 11 perches, owned by the sabha, had not been takeover.	Work is underway to prepare the deeds in the future.	Steps should be taken to takeover ownership of lands and cemeteries.

3.3 Delays in Project Activities or Capital work

Audit Observation	Comments of the Council	Recommendation
In 2021, Rs. 4,650,150 was spent on the construction of the new shopping complex (Phase 1) and only the foundations were laid and concrete towers were constructed. The expected objectives could not be achieved due to the lack of necessary provisions to complete the remaining construction work.	A revised estimate was sent to the Deputy Chief Secretary (Engineering Services), but no provision has been made for it.	Provisions should be made and work should be done to complete the construction.