

## **Bopepoddala Pradeshiya Sabha – 2022**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Bopepoddala 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 assets, 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 Bopepoddala 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

### Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) The value of 03 buildings which were constructed in the lands owned by the Sabha during the year under review, amounting to Rs.18,572,604 had not been capitalized.	Will be corrected in the future.	Should be accounted correctly.
(b) The repair cost of tractor trailer amounting to Rs.90,000 incurred under the recurrent expenses of the year under review had been capitalized.	- do -	- do -
(c) The underbilled court fine of Rs.71,500 related to the year under review was not credited to the income of the year under review, and credited to the Accumulated Fund therefore the surplus of the year had been understated by that amount.	- do -	- do -
(d) Rs.11,038,324 had been accounted as capital expenditure for 08 construction work whose bills had not been submitted during the year under review.	Will be corrected in the future.	Should be accounted correctly.
(e) The stamp duty receipts of Rs.812,394, which had not been accounted for in respect of the year 2019, were credited to the stamp duty receivable account.	- do -	- do -

## 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
The Section 23 and 24 of the Pradeshiya Sabha Act No. 15 of 1987	Although a Road Inventory Register containing details of roads should be maintained, the register was not updated after 2012.	Will be updated in the future.	Action should be taken according to the Act.
The Section 182 of the Pradeshiya Sabha Act No. 15 of 1987	The outstanding trade license fees of Rs.94,630 were written off during the year.	Will be corrected in the future.	The approval of the Minister should be obtained to cut off the revenue

## 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. 69,748,149 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 59,641,915 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	18,430,000	20,802,543	12,490,892	76,797,174	16,645,550	17,210,825	7,561,642	68,496,636
Rent	4,441,500	3,276,096	4,966,449	3,050,814	5,859,800	3,003,000	3,040,897	4,741,167
License Fees	1,260,150	1,050,304	847,514	812,650	1,370,150	507,160	512,910	609,860
Other Income	148,458,860	146,525,227	146,618,687	88,790	121,436,050	120,738,066	120,683,211	182,250
	<u>172,590,510</u>	<u>171,654,170</u>	<u>164,923,542</u>	<u>80,749,428</u>	<u>145,311,550</u>	<u>141,459,051</u>	<u>131,798,660</u>	<u>74,029,913</u>

## 2.2.2 Performance in Revenue Collection

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

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) The opening deficit of the year under review was Rs.74,019,913 and at the end of the year under review there was a deficit of Rs.80,749,428. In that, the outstanding balance of rates and tax was Rs. 76,797,174.	The actions are being taken to collect the arrears.	The arrears of income should be recovered as soon as possible.
(b) The contract period of 38 shops rooms in Labuduwa shopping complex had expired. The agreement signed with the shop owners of 28 shop rooms did not specify the validity period of the agreement. Also, without the prior approval of the Sabha, shop room No. 09 was leased on an interim basis.	In the future, the necessary arrangements will be made to reach a new agreement and that only the lessees will trade.	The agreements should be contained validity period and should be performed according to the agreement.
(c) The court fines amounting Rs.364,500 and stamp fees amounting to Rs.121,920,175 that should have been received from the Chief Secretary of the Provincial Council on 31 December of the year under review.	Will be charged by the Chief Secretary in future.	The arrears of income should be recovered as soon as possible.

## 3. Operational Review

### 3.1 Deficiencies in contract administration

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) Rs.64,135 had been overpaid due to non-use of MS 24 price rate for forest cutting on both sides of the road in respect of two constructions work.	The payments will be done by deduct from the retention money.	The overpayment should be recovered.
(b) According to the contracted date with the contractor, the September 2022 price rate introduced by the Provincial Road Development Authority should be used in relation to 6 constructions work, however due to not using that price rate, an overpayment Rs. 586,472 were made in relation to 03 constructions work, and Rs. 534,016 for 03 other constructions work was overestimated.	The payment will be made after receiving instructions from the Commissioner of Local Government	- do -

### 3.2 Human Resource Management

#### **Audit Observation**

A loan balance of Rs.430,349 could not be recovered from 30 employees who were transferred, deceased and were interdiction from working in the Sabha from the year 2013.

#### **Comment of the Sabha**

Debt balances remain unpaid for a long time and old documents are destroyed.

#### **Recommendation**

Outstanding employee loan balances should be recovered