

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of financial statements of the Badulla 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, 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 Sabha as 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 Badulla 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 Principles.

**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 skepticism 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 Sabhahad 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 PradeshiyaSabha 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 Financial Statements

### 1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Even though total assets amounting to Rs.139,199,915 was in the statement of financial position as at 31 December in the year under review , balance of total equity and liabilities as at that date had been brought to accounts as Rs.139,731,405.	Action will be taken to correct it in the year 2023.	Accounts should be prepared accurately.
(b) In the correction of accounting in deficit by Rs.9,967,555 in the year under review, when brought forwarding of the cumulative fund which had been pointed out in auditing of financial statements in preceding year, only a sum of Rs.996,755 had been debited to a suspense account.	Action will be taken to correct it in the year 2023	Accounts should be prepared accurately.
(c) Total receipts amounting to Rs.11,400,000 and total payments amounting to Rs.10,883,507 under Regional Development Assistance Project in the year under review had not been brought to accounts.	Action will be taken to correct it in the year 2023	Accounts should be prepared accurately.
(d) Retention money in hand amounting to Rs.755,527 which has to be received for the industries completed under Regional Development Assistance Project , had not been brought to accounts.	Action will be taken to correct it in the year 2023	Accounts should be prepared accurately.
(e) The value of finished work amounting to Rs.38,122,896 which had been constructed under Puraneguma Project in the year 2016, had not been brought to accounts.	Included into the assets register in the year 2023.	Accounts should be prepared accurately
(f) The value of Rs.13,137,223 for the Bojunhala building, lavatory and the fence which were constructed by the Regional Development Assistance Project in preceding years , had not been capitalized.	Included into the assets register in the year 2023.	Accounts should be prepared accurately

(g)	Fixed deposit interest amounting to Rs.33,039 receivable as at 31 December in the year under review had not been shown in financial statements.	I will correct it in following year	Accounts should be prepared accurately
(h)	Distress loans amounting to Rs.300,000 for three officers as at 31 December in the year under review had been allocated as creditors.	I will correct it in following year.	Accounts should be prepared accurately
(i)	Waste tax revenue in the year under review had been over billed by Rs.70,000 .	I will correct it in following year.	Accounts should be prepared accurately
(j)	Even though the unsettled advances as at 31 December in the year under review should be Rs.500,000, it had been shown as Rs.373,380 in the statement of financial position.	I will correct it in following year.	Accounts should be prepared accurately
(k)	A sum of Rs.372,505 which had been paid from the Sabha fund for the repairing of vehicles in the Regional Development Assistance Project in the year under review hadnot been brought to accounts as receivable from Regional Development Assistant Project	I will correct it in following year.	Accounts should be prepared accurately
(l)	Number of 69 solar power street lamps valued at Rs.1,000,000 purchased under Regional Development Assistant Project in the year under review, had not been shown as capital assets in the statement of financial position.	I will correct it in following year.	Accounts should be prepared accurately

### 1.6.2 Non-reconciled Control Accounts or Reports

	<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a)	Seven accounts balances shown in the financial statements as at 31 December in the year under review was not reconciled with the balance of ledger accounts in general ledger by Rs.2,883,336.	Action will be taken to prepare the ledger accounts in general ledger.	Action should be taken to reconcile balances by revealing differences according to the accounts balances and corresponding reports.

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| (b) A difference of Rs.25,887,740 was existed in total of 07 account balances which is shown in financial statements as at 31 December in the year under review with the total of subsidiary books and subsidiary registers | Action will be taken to prepare documents correctly. | Action should be taken to reconcile balances by revealing differences according to the accounts balances and corresponding reports. |
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### 1.6.3 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
It was failure to examine satisfactorily in audit for the confirmation of lands and buildings and stock balance of total value of Rs.5,264,647, due to non-submission of deeds, plans, transfer orders and stock survey reports.	Action will be taken to obtain deeds, plans and transfer orders and carry out stock surveys.	Adequate evidence should be presented to confirm balances.

## 1.7 Non-compliances

### Non-compliances with Laws,Rules ,Regulations and Management Decisions

Instances of non-compliances with Laws,Rules ,Regulations and Management Decisions are given below.

Reference to laws,rules and regulations	Non-compliance	Comments of the Council	Recommendation
(a) Pradeshiya Sabha Act,No.15 of 1987 Sections 23 and 24 (1)	Actions had not been taken to cause notices to be published in the prescribed manner setting out a list of such roads and paths other than principal thoroughfares, except in so far as such thoroughfares to demarcate by permanent marks the limits of the roads and paths maintained by the Pradeshiya Sabha and cause to be prepared plans of all such roads and paths.	Action will be taken to be listed and published notices in due course .	Action should be taken in accordance with provisions.
(b) Pradeshiya Sabha (financial and administration) Rule 180 of 1988 and the	Nine officers who are due keep sureties., had not been kept sureties.	Action will be taken to keep sureties in the year 2023.	The employees who are due from keep sureties, should keep sureties.

letter No.2/9/1 and  
dated 24 March 2005  
of the Chief Secretary  
to the Uva Province

(c) Pradeshiya Sabha  
(financial and  
administration) Rule

- (i) Rule 217 A register had not been maintained on all lands and buildings which are owned by the Sabha, used by the Sabha and resides by the Sabha as per Form P.S.46. Awareness has been made for the subject officer to maintain the register properly. Fixed deposit register should be maintained.
- (ii) Rule 218 Action had not been taken to inspect all lands and buildings by board of inspection for the year under review. Instructions has been given to appoint a committee for the inspection. Reports should be submitted by carrying out assets inspections annually.

## 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.2,969,396 for the year ended on 31 December 2022 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.16,516,208.

### 2.2 Revenue Administration

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

According to the information provided 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	2022				2021			
	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	950,184	818,290	854,746	(36,456)	950,184	842,692	675,480	167,212
Rents	1,200,000	1,489,804	1,699,850	(210,046)	1,200,000	1,540,840	1,234,150	306,690
(ii) License Fees	585,000	585,000	500,000	85,000	750,000	710,000	642,580	67,420
(iii) Other Revenue	3,021,520	2,664,989	2,123,061	541,928	3,021,520	3,233,113	1,792,357	1,440,756
Total	5,756,704	5,558,083	5,177,657	380,426	5,921,704	6,326,645	4,344,567	1,982,078

## 2.2.2 Performance in Collecting Revenue

Observations on the performance in collecting revenue is as follows

Audit Observation	Comment of the Sabha	Recommendation
(a) A sum of Rs.135,980 outstanding over due for more than 02 years had not been recovered even in the year under review.	By-law has been forwarded for the approval of the Governor. As the law is not empowered by now, difficult to implement the law.	Action should be taken to recover the outstanding revenue without delay.
(b) Court fines amounted to Rs.3,035,149 and stamp fees amounted to Rs.6,702,054 receivable as at December in the year under review from the chief secretary of the Provincial Council had not been received.	Schedules has been prepared for obtaining of court fines and stamp fees and forwarded to the relevant institutions.	Court fines and stamp fees Should be received immediately.

## 3. Operating Review

### 3.1 Management Inefficiencies

#### Audit Observation

Provisions had not been provided by the Sabha fund for the purchasing of drugs to the free Ayurvedic dispensary of the Sabha in the year under review and only drug treatments of Rs.272,723 for 1510 patients had been given out of the drugs provided by the drug corporation at Rs.1,050,000. Further, a permanent medical officer also had not been served from 11 February in the year under review.

#### Comment of the Sabha

As there wasnot available a permanent medical officer , only the drugs which were provided by the Drug Corporation had been given for the patients without purchasing drugs by the provisions of the Sabha fund.

#### Recommendation

Action should be taken to broaden the health services for the welfare of the people

### 3.2 Assets Management

#### Audit Observation

Five stalls by spending Rs.1,470,000 and a fence around the waste yard by spending Rs.2,150,000 had been constructed in the year 2020 from the Sabha fund. Annually collected waste about 1,800 tons are disposed unsystematically on the relevant land . Even though three labourers, one compactor and 02 tractors had been utilized for the waste management procedure,the Sabha had not produced bio fertilizers. The waste yard constructed was remained idle without utilizing to separate waste, produce compost or other fruitful activity .

#### Comment of the Sabha

Plans has been made to store the non-degradable waste separately.Plans has been made to use degradable waste to produce compost fertilizers.

#### Recommendation

Non-degradable waste should be disposed systematically.