

Badulla Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of Badulla Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity and cash flow statement and notes to financial statements for the year then ended including a summary of significant accounting policies, 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 the 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 presented in Parliament appear in this report.

I do not express an opinion on the financial statements of the Pradeshiya Sabha. Because of the significance of the matters discussed in the Section 1.6 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

I express a disclaimed opinion based on the matters described in paragraph 1.6 of this report

1.3 Responsibilities of Management and the parties in charge of governance on 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 Principles, 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 in charge with governance are responsible for overseeing financial reporting process of Pradeshiya Sabha.

As per Section 16(1) of the National Audit Act No. 19 of 2018, Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable preparing 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:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.
- Obtained 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluated 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 periods and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

Special provisions are included in the National Audit Act, No. 19 of 2018 with respect to the following requirements

- (a) The Financial Statements presented are consistent with that of the preceding year as required by Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- (b) The recommendations made by me during the previous year are included in the financial statements presented as required by Section 6(1) (d) (iv) of the National Audit Act No. 19 of 2018 excluding the recommendations 1.6.1 (a) (b) of the 154(6) Auditor General's Report.

1.6. Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Pradeshiya Sabha	Recommendation
(a)	The Fixed Deposit interest income of Rs. 244,601 related to the previous year had been accounted as the incomes of the year under review.	The actions will be taken to rectify when the accounts of next year are prepared.	The accounts should be prepared correctly.
(b)	Although the billed Court Fine income of the year under review was Rs. 12,201,014, it had been taken to the Statement of Financial Operation as Rs. 13,214,534 understating by a sum of Rs. 1,013,520.	-Do-	-Do-
(c)	Although the revenue of court fines and stamp duty outstanding as at 31 December of the year under review was Rs. 18,543,691, it had been shown as Rs. 19,044,803 in the Statement of Financial Position.	-Do-	-Do-
(d)	There was a disparity of Rs.120,090 between the value of properties, plants and equipment as at 31 December of the year under review and the balance payable from the income to the capital input as at the said date.	-Do-	-Do-
(e)	The value of the Ayurvedic medicine stock; Rs.436,150, donated to the Badulla Municipal Council had not been credited to the stock account.	The actions will be taken to rectify when the accounts of next year are prepared.	The accounts should be prepared correctly.
(f)	A sum of Rs. 28,595,530 had been received under the Local Development Support Project (LDSP), and the receipts of the said money and the expenses incurred from that money had not been accounted.	-Do-	-Do-

- | | | | |
|-----|--|------|------|
| (g) | The difference of Rs. 531,490 between the suspense account balance of Rs. 996,755 and the total assets liability balances pointed out by the Auditor General's Summary Report in the previous year had not been rectified even in the year under review. | -Do- | -Do- |
|-----|--|------|------|

1.6.2 Non-reconciled Control Accounts or Reports

Audit Observation	Comments of the Pradeshiya Sabha	Recommendation
(a) There was a difference of Rs.22,682,246 between the account balances in the General Ledger regarding the account balances of 47 income and expenditure accounts and the balances included in the statement of financial operations as at 31 December of the year under review.	The actions will be taken to correct the accounts in the year 2024.	Immediately after the transactions occurred, the financial statements should be prepared based on the ledger balances.
(b) There was a difference of Rs. 2,346,348 between the general ledger and the warehouse documents regarding the purchase cost of stationery, Ayurvedic medicines, cleaning agents and electrical repair items that had been purchased during the year under review.	-Do-	-Do-

1.6.3 Unavailability of written evidences for the audit

Audit Observation	Comments of the Pradeshiya Sabha	Recommendation
(a) The details related to 17 records with a value of Rs.13,488,787 included in the ledger in the year under review were not submitted to the audit.	The arrangements will be made to rectify when the accounts are prepared in future.	The details should be taken to the accounts based on the subsidiary documents and the financial statements should be prepared thereupon.
(b) The descriptive information was not presented to confirm the value of Rs.1,096,855 that had been recorded in the Accumulated Fund, Expenses Creditors and Employee Credit Ledger.	-Do-	-Do-

1.7 Non-compliance

Non-compliance with Laws, Rules and Regulations

The instances of non-compliance with Laws, Rules, Regulations and management decisions are as given below

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Pradeshiya Sabha	Recommendation
(a) Pradeshiya Sabha Act No.15 of 1987 Sections 23 and 24 (1)	The roads belonging to the Pradeshiya Sabha had not been marked with permanent signs and boundaries and a register of roads and lanes had not been maintained.	The actions will be taken next year to publish the notices of the roads gazette as per the register of the roads.	The proceedings should be made as per the provisions of the Act.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 104(4)	A complete inspection had not been conducted regarding the accidents related to 02 vehicles and the reports had not been submitted to the Auditor General.	Full reports will be presented once the inspection reports are received.	The inspections should be carried out immediately after the occurrence of the accidents and those responsible should be determined.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Pradeshiya Sabha in excess of the recurrent expenditure amounted to Rs. 3,167,874 for the year ended on 31 December 2023 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 3,885,488.

2.2 Revenue Administration

2.2.1 Estimated income, billed income, collected income and arrears of income

According to the information submitted by the Secretary of the Pradeshiya Sabha, the particulars about the estimated income, billed income, collected income and arrears of income related to the year under review and the previous year are given below.

Income Source	2023				2022			
	Estimated income	Billed income	Collected income	Total deficit as at 31 December	Estimated income	Billed income	Collected income	Total deficit as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	4,663,704	6,166,294	4,016,791	2,149,503	950,184	818,290	854,746	(36,456)
(ii) Rents	6,300,000	1,910,461	1,776,047	134,414	1,200,000	1,489,804	1,699,850	(210,046)
(iii) License Fee	910,000	716,500	716,500	0	585,000	585,000	500,000	85,000
(iv) Other	2,550,000	-	585,834	-	3,021,520	2,664,989	2,123,061	541,928
Total	14,423,704	8,793,255	7,095,172	2,283,917	5,756,704	5,558,083	5,177,657	380,426

2.2.2 Performance in Collecting Revenue

The observations in respect of the Performance in Collecting Revenue of the Pradeshiya Sabha are given below

	Audit Observation	Comments of the Pradeshiya Sabha	Recommendation
(a)	The outstanding assessment tax of Rs. 357,292 existing since a period of more than 02 years had not been collected.	The arrangements will be made to collect the assessment tax arrears in future.	The revenue arrears should be collected.
(b)	The outstanding tax on garbage amounting to a sum of Rs.489,250 existing since a period of more than 02 years had not been collected even in the year under review.	The proceedings are underway to collect the outstanding tax on garbage.	-Do-
(c)	Court fines of Rs.11,950,907 and stamp duty of Rs.7,093,896 receivable as at 31 December of the year under review had not been collected.	The actions will be taken to recover the money this year.	-Do-

3. Operation Review

3.1. Fulfilment of tasks assigned

The matters observed with regard to the carrying out of the duties that should have been attended to by the Pradeshiya Sabha in the regularization and control of the matters relating to public health, public utility services and public roads and roadways, and in bringing about the public wellbeing, amenities and welfare under section 3 of the Pradeshiya Sabhas Act were as given below.

Audit Observation	Comments of the Pradeshiya Sabha	Recommendation
The environmental protection licenses for the disposal of wastes at the waste management centre belonging to the Pradeshiya Sabha had not been taken according to 23(b) of the Environmental Act No. 47 of 1980.	The letters have been sent to obtain the environmental protection licenses.	An environmental protection license should be obtained in the disposal of wastes.

3.2 Assets Management

Audit Observation	Comments of the Pradeshiya Sabha	Recommendation
(a) The ownership of a tractor-trailer being used by the Pradeshiya Sabha had not been taken over to the Pradeshiya Sabha.	The proceedings required to take over to the Pradeshiya Sabha are in progress.	The ownership of the vehicles should be settled.
(b) A tractor-trailer; not recommended to be removed by the board of survey reports, but not being used from a long period, had been idle.	The action are taken to repair the trailer and to collect the wastes.	The vehicles belonged to Pradeshiya Sabha should be repaired immediately and taken for use.

3.3 Deficiencies in the Contract Administration

Audit Observation	Comments of the Pradeshiya Sabha	Recommendation
Hela Bojun Shop; which had been built near Uva Wellassa University at an expense of Rs. 9,065,413 from LDSP project in the year 2021, had been fully completed in the year 2022, and the building that had been built was a ground floor with a concrete roof. Afterwards, a sum of Rs. 425,433 had been spent on that building from the Pradeshiya Sabha funds in the year 2023. Also, an amount of Rs. 334,636 had been spent from the Pradeshiya Sabha fund to re-concrete the 1:3 mixture of 20 mm thickness in Sq.m195.18 for the removal of water collected on the concrete roof.	This expense has been incurred from the pradeshiya sabha fund considering as an identified essential task for the good existence of the building currently used for the Hela Bojun Shop.	The constructions should be done as per an appropriate plan.