

Bandarawela Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Bandarawela Pradeshiya Sabha for the year ended 31 December 2023 comprising the financial position as at 31 December 2023 and statement of financial operations, cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other clarifications 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 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 reported 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 Bandarawela Pradeshiya Sabha as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.2 Basis for qualified Opinion

My opinion is qualified based on 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 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 Principles and for such internal control as management determines 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 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 judgement and maintain professional scepticism throughout the audit. I also

- Appropriate audit procedure 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 Pradeshiya Sabha's 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 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 discussions issued by the governing body of the company
- Whether the pradeshiya Sabha 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 the other legal requirements

The special provisions had been inserted in the National Audit Act No.19 of 2018 in relation to the under-mentioned requirements.

- (a) The financial statements of the pradeshiya sabha are consistent with the preceding year as per the requirement of the section 6(1)(d)(iii) of the National Audit act No. 19 of 2018 .

- (b) The recommendations made by me in the preceding year as per the requirement indicated in the section 6(1)(d)(iv) of the National Audit act No. 19 of 2018 had been included in the financial statements forwarded.

1.6 Audit observations in relation to preparation of the financial statements

1.6.1 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the sabha	Recommendation
Due to non-submission of the assessment reports, updated registers , schedules and updated fixed assets registers in relation to 03 assets subjects worth of aggregate Rs. 139,610,519, those couldn't be satisfactorily examined in the audit.	The action will be taken to adjust the accurate value having valued the buildings.	The evidences in relation to the balances shown in the financial statements should be submitted to the audit.

1.7 Non-compliances

Non-compliance with rules, laws, regulations and management decisions

It had not been complied with the rules, laws, regulations and management decisions in the following incidents.

Reference to rules, laws, regulations	Non-compliance	Comments of the Sabha	Recommendation
(a) Pradeshiya Sabh Act No.15 of 1987 Section 149	The tax had not been charged from 04 hotels registered in Tourist Board identified by Pradeshiya Sabha.	The action will be taken to charge the tax.	The income to be received to sabha should be recovered.
(b) Public Administration Circular No. 26/92 dated 19 August 1992	In addition to displaying state emblem in 08 vehicles belonging to sabha , the name of the institute had not been mentioned in the body of the vehicle.	The action had been taken to call the quotations to print the state emblem.	The action should be taken as per the instructions of the relevant circular.
(c) Gazette notification No.2264/18 dated 27 January 2022 of Democratic Socialist Republic of Sri Lanka	The environment protection licenses had not been issued to 14 industries implemented within the jurisdiction of sabha.	The letters had been referred to obtain environment protection license for 12 industries.	The action should be taken as per circulars and the provisions.

2. Financial Review

2.1 Financial Results

As per the financial statements submitted, the income of the sabha exceeded the recurrent expenditure was Rs. 27,806,732 for the year ended 31 December of the year under review and correspondingly, the income exceeded the recurrent expenditure was Rs. 9,813,638 as per the financial statements submitted on 31 December in the preceding year.

2.2 Income Administration

2.2.1 Estimated Income, Billed Income, Collected Income and Outstanding Income

As per the information submitted by the sabha Secretary, the information on estimated income, billed income, collected income and outstanding income is as follows in relation to the year under review and the preceding year.

Income Source	2023				2022			
	Estimated Income	Billed Income	Collected Income	Total outstanding as at 31 December	Estimated Income	Billed Income	Collected Income	Outstanding as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Assessment Tax and other taxes	604,950	665,800	407,036	258,763	557,670	600,143	454,741	145,402
(ii) Rents	216,000	5,592,310	5,592,310	-	-	-	-	-
(iii) License Fees	350,000	423,750	423,750	-	350,000	357,800	357,800	-
(iv) Other Income	6,584,000	12,821,541	6,297,651	6,523,890	2,750,000	6,529,359	5,521,965	1,007,394
Total	7,754,950	19,503,401	12,720,747	6,782,653	3,657,670	7,487,302	6,334,506	1,152,796

2.2.2 Income Collection performance

The observations in relation to the performance of the collection of income of sabha are as follows.

	Audit Observations	Comments of sabha	Recommendation
(a)	No action had been taken to charge the water tariff of Rs. 480,055 due from 2018 from the inactivated water projects or no other suitable measure had been taken.	The action is being taken to refer the letters to the minister in charge of subject.	Outstanding income should be timely recovered.

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| (b) | The court fines of Rs. 15,973,977 and Stamp Duty of Rs. 12,803,419 receivable on 31 December in the year under review had not been brought. | The letters had been submitted to Governor to recover the outstanding income. | Outstanding income should be brought. |
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3. Operating Review

3.1. Discharging the functions entrusted by the Act

The facts observed on regularization and control of public health, common utility services and common thoroughfares under section 3 of Pradeshiya Sabha Act and the functions to be executed by sabha such as wellbeing, convenience and welfare of people.

Audit Observation

The development activities of Porogala Tourist Centre had been partially completed in 2023 by incurring Rs. 26,833,705 from the provisions of LDSP project and Ministry of Tourism in 2018 and it had been opened to the people as an observation centre. The total cost estimate and a formal plan had not been prepared on a project proposal with regard to this project and the constructions were being carried out in various occasions.

Comment of the sabha

A formal plan had been already prepared for total area.

Recommendation

In implementing the long-term projects, a formal plan should be prepared and approved for that and action should be taken accordingly.

3.2 Management Inefficiencies

Audit Observation

- (a) An amount of Rs. 1,250,427 had been incurred for the repairs of ambulance provided to sabha by Monaragala Regional Health Services Director in 2021 without transferring the ownership. Even up to the end of the year under review, the ambulance had not been utilized for the objected purpose.

Comments of the Sabha

The necessary action will be taken to transfer the ambulance.

Recommendation

It should be utilized for the objected purpose having transferred the ownership of the asset to sabha.

- (b) Even though a sabha building, library and pre-school building had been constructed in a large area in extent of 01 acre belonging to Haputale Pradeshiya Sabha in 1956, no action had been taken to transfer the ownership of the land at the end of year under review.

The action is being taken to transfer the land.

The legal ownership of the land should be settled.

3.3 Operating Inefficiencies

Audit Observation	Comment of the sabha	Recommendation
(a) Even though 02 containers had been purchased at a cost of Rs. 3,975,000 for the waste management by utilization of Local Development Support Project (LDSP), it had been idle without using for relevant task.	The residents have no interest in bringing the waste to the recycle centre.	A feasibility study should be carried out before implementation of the project.
(b) 05 mobile stalls worth of Rs.3, 450,000 purchased on the provisions of Local Development Support Project in the year under review had been idle without utilization.	The action had been taken to provide to relevant purchasers.	The mobile stalls should be utilized for the objected purpose.
(c) Bandarawela Hiloya multipurpose building, library, weekly fair and toilet system completed with a cost of Rs. 400 million in line with Puranagama project under the financial assistance of Asian Development Bank in 2016 had been idle without utilization for the proposed task.	It is being utilized as a multipurpose building.	The public money should be efficiently and effectively utilized.

3.4 Assets Management

Audit Observation	Comment of the sabha	Recommendation
55 burial grounds and a playground belonging to sabha had not been assessed and accounted.	It will be included in the financial statements in 2024.	The assets should be formally valued and accounted.