

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Bulathkohupitiya 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 Deraniyagala 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 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 the preparation of the financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Council	Recommendation
(a) A tax of Rs. 106,855 received from the sales of lands segmented in 2020 had been credited to Deposit Account without taking into income.	The money received is deposited and taken into income as per the land sales.	It should be accurately accounted.
(b) Rs. 13,400 of advertising board fees receivable had been understated.	It will be rectified in the preparation of accounts in 2024.	-Do-
(c) Rs. 4,786,278 of provision for creditors and debtors had not been made for 04 industries entered into agreements in 2023.	-Do -	-Do-
(d) Hand tractor worth of Rs. 250,000 had been accounted under machinery and equipment.	-Do-	-Do-
(e) As at 31 December 2023, the fertilizer stock balance had been overstated by Rs. 146, 220.	-Do-	-Do-
(f) Bobcat machine worth of Rs.4, 700,000 had been accounted twice under non-financial asset.	-Do-	-Do-
(g) In 2023, Rs. 3,836,940 incurred for the development of buildings had not been capitalized.	-Do-	-Do-

2. Financial Review

2.1 Financial Result

In accordance with the financial statements submitted, the income exceeded the recurrent expenditure was Rs. 1,847, 257 for the year ended 31 December 2023 and correspondingly, the income exceeded the recurrent expenditure was Rs. 1,854,628 in the preceding year.

2.2 Income Administration

2.2.1 Estimate Income, Billed Income, Collected Income and Outstanding Income

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

Income Source	2023				2022			
	Estimated Income Rs.	Billed Income Rs.	Collected Income Rs.	Total outstanding as at 31 December Rs.	Estimated Income Rs.	Billed Income Rs.	Collected Income Rs.	Total Outstanding as at 31 December Rs.
Assessment Tax and other taxes	1,835,700	2,195,562	2,199,343	-363,642	1,851,150	1,937,458	1,978,800	152,753
Rents	3,871,800	1,709,817	1,677,797	2,194,003	6,202,500	2,089,923	2,089,923	523,465
License fees	412,200	360,225	354,425	57,775	386,200	303,900	303,900	-
Other Income	<u>10,605,100</u>	<u>9,675,987</u>	<u>9,622,935</u>	<u>7,982,165</u>	<u>3,851,650</u>	<u>2,427,747</u>	<u>2,480,947</u>	<u>-</u>
Total	<u>23,724,800</u>	<u>13,941,591</u>	<u>13,854,500</u>	<u>9,870,300</u>	<u>12,290,950</u>	<u>6,759,028</u>	<u>6,853,570</u>	<u>676,218</u>

2.2.2 Assessment Tax and other Taxes

Audit Observation	Comment of the council	Recommendation
As at 31 December 2023, a balance of Rs. 124,878 prevailed in the outstanding Assessment Tax of Rs. 151,842 had been old 01-04 years.	The action will be taken to recover outstanding having prepared a plan.	The income should be immediately charged be promptly charged.

3. Operating Review

3.1 Operating Inefficiencies

Audit Observation	Comment of the Council	Recommendation
(a) The fees had not been charged from any permanent advertising board within the jurisdiction of sabha.	It is expected to take legal action against the owners of the advertising boards who had not paid the fees.	The income should be immediately charged.

3.2 Assets Management

Audit Observation	Comment of the council	Recommendation
(a) 04 vehicles and a trailer worth of Rs. 10,408,000 had not been transferred.	The action will be taken to transfer in the future.	The ownership of the assets should be settled.
(b) 04 vehicles worth of Rs. 5,295,318 belonging to sabha had been inactivated since 2016-2019.	It had been decided to auction 03 vehicles and the other vehicle will be repaired on the sabha's financial position.	The action should be taken as per Assets Management Circular 05/2020 dated 02 October 2020.

3.3 Human Resource Management

Audit Observation	Comment of the council	Recommendation
07 excess and 13 vacancies had existed in the approved cadre.	Since the all activities are performed by provincial council, no action can be taken by pradeshiya sabha for this matter.	The action should be taken to fill the vacancies and effectively attach the excess.