

Bingiriya Pradeshiya Sabha – 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Bingiriya 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, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, 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 provisions of the National Audit Act No. 19 of 2018 and Sub-section 172(1) of the Pradeshiya Sabha Act, No. 15 of 1987. 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 Bingiriya 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 practices.

1.2 Basis for Qualified Opinion

A qualified opinion on financial statements will be expressed based 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 Principles, Government Authorities, 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 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 Pradeshiya Sabha.

1.4 Scope of Audit (Auditor's Responsibility 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 scepticism 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 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 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 includes specific provisions for following requirements.

- The financial statements of the Pradeshiya Sabha are consistent with the preceding year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- The following recommendations made by me regarding the financial statements for the previous year have been included in the financial statements as per the requirements mentioned of Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit observations related to the preparation of financial statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	In the year 2021, the creditor for the multi media machine purchased was Rs.200,000 and the photocopier was Rs.40,000, as the creditors had overstated by Rs.240,000.	That the corrections will be done in the future.	Proper accounting should be done.
(b)	03 lands identified as owned by the Sabha were not revalued and accounted for and the total value of 04 lands was Rs. 400,500 was not included in the financial statements.	The valuation committee has confirmed that one land cannot be identified and the entire land of another land is 01 acres and 02 roods has been auctioned and thus the council has not received a common share, and the other land is a road on a common land owned by the council.	Assets should be recognized and accounted for.

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Sabha	Recommendation
(a) 05 outstanding advances worth Rs.17,092 were not included in the financial statements of the year under review	That unreconcile balances are identified and reconciled.	Accounts should be prepared on the basis of correct balances.
(b) There were unreconciling of Rs.6,269,357 between the deposit balances in the deposit book and the balances included in the financial statements	That the corrections will be done from the account of the year 2023.	The account should be adjusted by entering the correct balances.

1.7 Non-compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions are given below

Reference to Laws, Rules, Regulations etc.	Noncompliance	Comments of the Sabha	Recommendation
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Section 371	The council had not settled 16 advances worth Rs.358,252 given before 2018.	That the correction will be done	Actions should be done in accordance with financial Regulations.
(ii) Section 571	Overdue deposits amounting to Rs.1,330,629 had not been settled.	That the correction will be done	- do -

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2022 was Rs.77,412,376 and correspondingly, the income over the expenditure of the previous year was Rs. 10,348,736.

2.2 Financial Control

Audit Observation	Comments of the Sabha	Recommendation
According to the bank reconciliation statement as of 31 December 2022, the balance of Rs. 181,846, which had not been identified for several years, had not been identified and settled.	That the information about that balance could not be found.	Arrangements should be made to early identify and settle the relevant balances.

2.3 Control of Revenue

2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

Below is the information about the estimated revenue, billed revenue and arrears of revenue submitted in relation to the year under review and the previous year.

Source of Revenue	2021				2022			
	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as on 31 December from billed revenue.	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as on 31 December from billed revenue.
	₹.000	₹.000	₹.000	₹.000	₹.000	₹.000	₹.000	₹.000
Rates and Taxes	4,692	1,707	3,209	179	4,602	1,707	4,923	244
Rentals	20,872	6,629	14,525	118	19,594	6,353	15,098	1,846
License Fees	1,802	-	1,564	-	1,622	-	1,671	-
Other Revenue	115,603	-	84,637	-	84,064	-	62,085	-
	142,969	8,336	103,935	297	109,882	8,060	83,777	2,090

3. Operational Review

3.1 Performance of functions assigned by the Act

Under section 3 of the Local Council Act, the matters observed regarding the regularization and control of matters of public health, public utility services and public roads, and the fulfillment of the tasks that the council should have performed for the people's comfort, convenience and welfare are given below.

Audit Observation	Comments of the Sabha	Recommendation
Bylaws		
Under Section 126 of the Local Council Act, bylaws could have been enacted to fulfill 30 main matters, but by 31 December 2022, bylaws had not been enacted for 28 matters.	Action is being done to compile the by-laws and other by-laws will be enacted in the future.	Arrangements should be made to enact by-laws related to the council.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) While the Ayurvedic medical officer of the council was released from the service of the local council from 19 February 2020, an amount of Rs. 99,500 had been paid from the council fund as communication allowance.	That this officer has got an attachment to Ayurveda Hospital in Meethanwala.	The responsible officials should be identified and the relevant money should be recovered.
(b) Deed No. 8624 had given only 64 perches instead of 70.1 perches which was 10 percent of the remaining land area which is 701 perches excluding the land related to roads from 29.1 acres 04 roods 03 perches in the council area auction land and accordingly Less than 6.1 perches were given to the sabha. In the same way, a piece of land with a lower value at one end of the land was assigned to the council as the public land.	That the agency has been informed to pay the value of the land for the remaining 6.1 perches of the public land to be given to the council during the sale..	Arrangements should be made to obtain the amount of public land due to the Sabha
(c) For the year 2022, 19 institutions have not obtained environmental permits.	That environmental permits were not obtained for 19 institutions.	A formal system should be followed for granting environmental permits.

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| (d) | As on December 31 of the year under review, the balance due related to 06 account balances was Rs.993,578, of which Rs.764,557 was a balance that had existed for more than 5 years. | That legal action has been taken to recover this money. | Balances due should be recovered quickly. |
| (e) | As on the last day of the year under review, there was a payable balance of Rs.44,032,341 relating to 04 account balances, of which Rs.11,400 was a balance older than 05 years. | That the action will be taken to check and correct. | Outstanding balances should be cleared quickly. |

3.3 Employee Loans

Audit Observation	Comments of the Sabha	Recommendation
An employee loan balance of Rs.7,500 related to an employee who left the service remained uncollected even at the end of the year under review.	That it has been referred to the Conciliation Board.	The amount due must be collected.

3.4 Asset Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Fixed asset records had not been maintained relating to furniture and fittings, and machinery and equipment and fixed asset registers relating to motor vehicles had not been updated..	That the actions will be taken to update the fixed asset registers.	Fixed asset registers should be maintained up to date.
(b) 2 land properties maintained by the council and 02 vehicles which the Sabha had received as donations had not been taken over to the council.	As the rest of the land has not been formally transferred to the Regional Sabha, requests have been made to the Regional Secretary.	Assets should be taken over to the Sabha
(c) Verifications had not been conducted formally on the land assets owned by the Sabha and sufficient attention had not been paid to formally mark the fence boundaries of the lands owned by the Sabha and ensure the security of those assets.	That the verification are being conducted on the assets owned by the Sabha.	Security of assets should be adequately ensured.

3.5 Vehicle Management

Audit Observation	Comments of the Sabha	Recommendation
04 vehicles belonging to the Sabha, which were shown in the accounts at the value of Rs. 7,175,000, had not been registered in the motor vehicle registration department.	That the defects will be checked and corrected.	The concerned vehicles should be properly registered.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
A variation between the budgeted Revenue and the actual Revenue of 03 revenue subjects ranged from 30 to 149 percent and in 93 expenditure subjects, less than 60 percent of the budgeted allocation was spent during the year under review.	That the actions will be done correctly in the year 2023.	Budget should be used as an effective control tool.