

1. Financial Statements

1.1. Qualified Opinion

The audit of the financial statements of the Biyagama Pradeshiya Sabha. including the financial statements for the year ended 31 December 2022 comprising the statement of assets and liabilities as at 31 December 2022, comprehensive income statement, statement of changes in net equity, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 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 reported to the 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 Biyagama Pradeshiya Sabha as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

1.2. Basis for Qualified Opinion

I expressed qualified opinion 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 Sri Lanka Public Sector Accounting Standards for Local Authorities, 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 the preparation of 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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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.
- 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 is also extended to examine the following, as far as possible and as and when necessary;

- 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 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

National Audit Act, No. 19 of 2018 include specific provisions for following requirements.

- (a) The financial statements of the Pradeshiya Sabha presented is consistent with the preceding year as per the requirement of section 6(1)(d)(iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented includes all 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 preparation of Financial Statements

1.6.1 Non- Compliance with Accounting Standards

Audit Observation	Comments of the Council	Recommendation
Although, revenue should be accounted for, on the accrual basis, according to the Regulation No. 90 regarding accounting activities relevant to Financial Administration of Pradeshiya Sabha and the Accounting Policy No. 3.6 of the Financial Statement, stamp duty and court fines had been accounted for on Cash Basis.	Accounting Policies will correctly be recorded and Accounts will be prepared.	Should be accounted for on the Accrual Basis.

1.6.2. Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Transfers from the government for non-recurring expenditure had been over-accounted by Rs.1,103,733.	Actions will be taken to correct the accounts in the year 2023.	Should be accounted accurately.
(b) 02 lands in the extent of 75 perches and the value of Rs.8,000,000 had not been accounted for.	Actions will be taken to obtain information regarding lands.	-do-
(c) 28 lands, on which, buildings amounting to Rs.58,789,453 were constructed, had not been valued and accounted for as Lands.	15 nos. lands with buildings have been included in the land schedule.	-do-

1.7. Non- Compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

Listed below are the instances where laws, rules, regulations and management decisions had not been complied with.

Reference to Laws, Rules Regulations	Non-compliance	Comments of the Council	Recommendation
(a) Section 20 of the Rating & Valuation Ordinance No. 30 of 1946.	Rates had been charged on the assessments made in the years of 2008 and 2012.	Rates will be charged according to new assessments, immediately after the assessments are received,	Assessments are to be done and rates should be charged accordingly.
(b) Pradeshiya Sabha Financial Regulation No. 60.	A sum of Rs.5,370,575, had been given to 19 nos. non-executive officers, as advances, in excess of the value of Rs.100,000.	Actions have been taken, at present, to give advances in par with Financial Regulations.	Actions should be taken as per Financial Regulations.

2. Financial Review

2.1. Financial Result

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2022 amounted to Rs.188, 532,345 as compared with the excess of revenue over expenditure amounted to Rs.128,555,443 in the preceding year.

2.2. Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears Revenue

Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to information relating to the year under review and the preceding year are shown below.

Income Source	Estimated Income Rs.	Billed Income Rs.	Collected Income Rs.	2022		2021		Arrears Income as at 31st December Rs.
				Income as at 31st December Rs.	Arrears	Estimated Income Rs.	Billed Income Rs.	
(i) Rates & Taxes	78,530,710	78,878,277	72,893,953	72,855,554	78,862,188	78,408,979	68,095,859	66,871,230
(ii) Rent	7,679,130	7,184,542	6,374,447	11,218,577	7,794,050	7,686,470	6,083,182	10,408,482
(iii) License Fees	6,318,000	5,778,977	5,778,977	-	6,094,000	4,979,665	4,979,665	30,000
(iv) Other Income	29,683,100	-	42,557,868	-	48,205,100	-	59,611,620	-
	<u>122,210,940</u>	<u>91,841,796</u>	<u>127,605,245</u>	<u>84,074,131</u>	<u>140,955,338</u>	<u>91,075,114</u>	<u>138,770,326</u>	<u>77,309,712</u>

2.2.2 Revenue Collection Performance

Observations on the revenue collection performance of the Sabha are stated below.

Audit Observation	Comments of the Council	Recommendation
(a) Rates & Taxes balances which were in arrears for more than 10 years amounting to Rs.16,714,446, balances between 5 to 10 years amounting to Rs.17,224,668, and balances between 3 to 5 years had been Rs.13,316,058, at the end of the year under review.	Actions have been taken to write off irrecoverable revenue from the records and to carry out collection at sub office level.	Arrears Rates should be collected recovered in terms of the Act.
(b) Amount collected from the opening shop rent balance of Rs.8,801,527 which was included in the closing balance for the year under review, had been Rs.432,705 and the arrears balances between 5 to 10 years had been Rs.8,281,742 and the arrears balances between 3 to 5 years had been Rs.1,023,480	Actions have been taken to collect arrears in the year 2023.	In terms of the agreements, arrears shop rent Should be collected.

3. Operational Review

3.1 Discharging the Duties Assigned by the Act.

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 3 of the Pradeshiya Sabha Act are shown below.

(a) Public Complaints

Audit Observation	Comments of the Council	Recommendation
431 Nos. public complaints received by the Sabha during the year under review, had not been resolved.	Actions are being taken to resolve public complaints.	Public complaints should be resolved.

(b) Solid Waste Management

Audit Observation	Comments of the Council	Recommendation
Even though, a sum of Rs.12,896,471 had been paid to Sri Lanka Land Reclamation and Development Corporation during the year under review, and a sum of Rs.21,204,062 had been payable for the periods prior to the year 2022, for the disposal of solid waste. Sabha had not produced compost using the waste.	Actions are being taken to produce biogas and liquid fertilizer by using decomposable waste from the year 2023.	Waste should be managed by purchasing a suitable land.

(c) Environmental Issues

Audit Observation	Comments of the Council	Recommendation
Steps had not been taken as of March 2023, to obtain licenses for 02 crematoriums operated by the Sabha.	Crematoriums are not included in the list of 39 items mentioned in the schedule (d) of the extra ordinary gazette no. 2264/18 dated 27 December 2022.	Environmental Certificates should be obtained for crematoriums as per the Act.

3.2. Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The Debtor balance as at the last date of the year under review, had been Rs.21,629,511.	Cash is being reimbursed.	Debtor balances should be settled.
(b) Creditors balance amounting to Rs.135,277,013 as at the last date of the year under review.	Cash is to be reimbursed in the future.	-do-

3.3. Transactions prone to Disputes

Audit Observation	Comments of the Council	Recommendation
A sum of Rs.855,370 equivalent to 57% of the Employee Training Expense Heading, had been spent for a 02 day training workshop on Attitude Development of the Members of the Sabha, which was not included in the Annual Action Plan for 2022.	The Program was conducted with the sanction from general meeting and tenure of the Sabha too, had not come to an end.	Activities should be carried out according to the Annual Action Plan.

3.4 Idle and Underutilized Property Plant & Equipment

Audit Observation	Comments of the Council	Recommendation
A Building amounting to Rs.1,100,000 with an incomplete first floor was observed to be disrepair.	Will act according to the instructions of National Building Research Organisation.	Assets should be safeguarded.

3.5 Assets Management

Audit Observation	Comments of the Council	Recommendation
(a) It was observed that, the name boards were missing and the boundaries had not been properly fixed of 24 nos. plot of lands with a valuation of Rs.72,880,000.	Boundaries will be prepared and name boards will be installed.	The lands should be surveyed and name boards should be fixed.
(b) 04 nos. bathing wells with a value of Rs.479,000 could not be found and 05 nos. bathing wells worth Rs.1,854,000 had been utilized by third parties without permission.	Necessary actions will be taken in the future.	Lands which are accounted for should be physically available.
(c) The title had not been cleared of a building with a value of Rs.500,000, 02 nos. cemeteries amounting to Rs.100,000 had been used as private cemeteries and it was observed that a catholic church had been put up in a cemetery with a value of Rs.500,000.	Actions will be taken to find solutions according to committee recommendations.	Properties owned by the Sabha, should be safeguarded.

3.6 Human resource Management

Audit Observation	Comments of the Council	Recommendation
Loan and Advance balance amounting to Rs. 1,045,540, of 06 nos employees, who had vacated office, retired and died, remained unrecovered.	Actions will be taken in the future to recover.	Employee loans should be recovered.