

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Balapitiya Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of financial position as at 31 December 2023, Statement of Financial Operations, Statement of changes in net assets, Cash Flow Statement for the year then ended and notes to the financial statements including material accounting policy information 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 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 report 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 accompanying financial statements give a true and fair view of the financial position of the Balapitiya Pradeshiya Sabha as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Practices.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally accepted Accounting Practices 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 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.

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 skepticism 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 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 Pradeshia 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 contains special provisions regarding the following requirements.

- Financial Statements of the Pradeshia Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Although discount given of Rs.916,175 should be transferred to the income and expenditure account, only Rs.850,468 had been shown as expenditure in the financial statements..	The action will be taken to corrected.	Should be accounted correctly
(b) The employee loans amounting to Rs.503,657 given during the year had been debited to the loan capital account.	-do-	-do-
(c) The un-capitalized fixed assets of Rs.157,386 in the year 2022 were credited to the Capital Assets Repair and Maintenance Expenditure account, without crediting the Capital Contribution by income in the year 2023.	-do-	-do-

(d)	Acquisition of fixed assets of Rs.499,645 was not capitalized under fixed assets.	-do-	-do-
(e)	Ayurveda stock consumption initial stock of Rs.1,060,983 should be transferred to the supplies and equipment account, however only Rs.300,000 was transferred to that account and the remaining stock of Rs.760,983 was debited to the Grants Contributions and Subsidies accounts.	-do-	-do-
(f)	Stamp duties of Rs.13,487,919 and court fines of Rs.216,600 for the previous years had been credited to the income of the year, although adjustments should be made to the excess deficit account.	-do-	-do-
(g)	Creditor provisions had not been made for Rs.3,062,700 payable in respect of 03 works and Rs.486,835 in respect of payable expenses.	-do-	-do-
(h)	Although the amount of retention money payable related to the preparation of the 1st cross road of Polathupalana was Rs.149,913, it was accounted as Rs.14,999 under the capital expenditure creditor.	-do-	-do-
(i)	Rs.689,417 received during the year under review, for 03 works and adjusted to the debtors had once again been removed from the debtors account as excess allocations.	Will be corrected through the final account of the year 2024.	Should be accounted correctly
(j)	The balance of Rs.367,765,043 at the end of the year under review, which was the value of fixed assets it should be equal to the accounts of Capital contribution from income and contribution to capital from Grant accounts, however the balance of those two accounts was Rs.210,055,058, therefore there was a difference of Rs.157,709,985.	The valuation of land and buildings to the market values, resulting in the reserve value.	Should be accounted correctly

1.6.2 Non reconciled control account or Records

Audit Observation	Comments of the Sabha	Recommendation
There was a difference of Rs.28,655,403 in between the balances related to 15 accounting items included in the financial statements and the balances shown in the related utility registers.	Will be corrected in future.	Should be corrected by reconciling the differences.

1.6.3 Lack of documentary evidence for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to non-submission of necessary detailed schedules for the confirmation of 06 accounting items, aggregating to Rs.183,805,688 could not be examine satisfactorily	The values should be revaluated and corrected these schedules.	Evidence confirming the account balances should be presented.

1.7 Non-compliances

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

Reference to Laws, Rules, Regulation and Management Decisions	Non – Compliance	Comments of the Sabha	Recommendation
(a) Local Government Circular No 2022/01 dated 15 December 2022 of the Secretary of the Ministry of Public Administration, Home Affairs Provincial Council and Local Government	A website was not created to provide information technology solutions for services provided by local authorities	Working with Sri Lanka Telecom for the necessary action.	Action should be taken in accordance with the Circular.

- (b) Public Administration Circular No. 30/2016 dated 29 December 2016 Fuel inspection was not done in relation to 05 vehicles owned by the Sabha. Fuel testing is being done -do-

1.7.2 Unauthorized transactions

Audit Observation	Comments of the Sabha	Recommendation
The secretary had used the council's vehicle without group transport facilities to travel between home and office 04 times a day, and had paid Rs.107,695 for fuel.	The field of duty has expanded with the end of the term of office of the members of the local government institute.	Action should be taken to minimized the cost.

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2022 amounted to Rs. 12,106,511 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 14,183,781 in the preceding year.

2.2 Revenue Administration

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

Source of Revenue	2023				2022			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	22,815,000	22,037,958	19,183,711	34,205,492	13,360,000	18,093,709	13,462,321	31,351,245
Rent	5,130,000	6,114,336	4,368,920	4,250,733	3,320,000	5,194,295	4,248,992	2,505,317
License Fees	2,810,000	4,063,042	4,077,992	-	6,015,000	2,956,712	2,947,962	14,950
Other Income	24,550,000	21,794,575	21,794,575	-	7,947,000	7,980,366	7,980,366	-
	=====	=====	=====	=====	=====	=====	=====	=====
	55,305,000	54,009,911	49,425,198	38,456,225	30,642,000	34,225,082	28,639,641	33,871,512
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2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
(a) The income due on 1 January of the year under review was Rs.33,871,512. Although the total revenue to be collected was Rs.87,881,423 with billings of Rs.54,009,911 during the year, only Rs.49,425,198 was collected during the year.	Legal action has been taken.	The action should be taken to collect the arrears of income.
(b) Although 23 developed village areas in Kosgoda sub-office area were not charged assessment tax in the year 2012 through a gazette paper, no assessment tax was levied in accordance with Section 134 of the Pradeshiya Sabha Act.	The actions are being preceded in accordance with Section 134 of the Pradeshiya Sabha Act.	Developed village areas should be identified and measures should be taken to impose assessment tax.
(c) A shop room in the Balapitiya Multi-Purpose Building, by Balapitiya Various Services Cooperative Society limited, has been leased from the year 2021 and due to non-payment of rent, the outstanding rent balance at the end of the year 2023 is Rs.1,467,000, and the arrears of overcharges amounting to Rs.195,300, totaling Rs.1,662,300 remained outstanding.	The arrears and non-payment of rents have been continuously informed.	Taxes should be collected timely manner.
(d) There are 03 fish stalls in Ahungalla Public Market, and due to the non-payment of taxes by the lessees since the time it was tendered, there is an arrears of key money was Rs.277,500, an arrear rent balance of Rs.136,350 and the penalty of Rs.3,800 Also, there was an outstanding balance of Rs.417,650.	Legal action will be taken to recover the arrears	Taxes should be collected timely manner.
(e) 14 hoardings for which fees of Rs.195,480 had not been paid in the year 2022 were displayed in the year 2023, however the council had not taken action to collect fees from them.	Letters have been forwarded for charging fees from advertising hoardings in the year 2023.	Arrangements should be made to collect the hoardings fees due.
(f) The stamp duty that should have been received from the Chief Secretary of the Provincial Council and other authorities was Rs.28,196,819.	Will be collected in future.	Arrears of Stamp fees income should be collected.

3. Operational Review

3.1 Performance of functions assigned by the Act

Audit Observation	Comments of the Sabha	Recommendation
(a) An expenditure of Rs.517,500 was incurred in the year 2023 to dispose of the garbage collected in the Sabhal's area to the Monrovia Estate Waste Project, and the garbage in the Sabha area should be a property of the council, however a long-term program for waste management was not prepared.	After identifying a site, necessary action will be taken to start the work of preparing the compost yard.	A suitable program should be implemented for Waste Management.
(b) By-laws were not enacted in terms of 159(2) of the Pradeshiya Sabha Act for collection of garbage tax, and garbage tax should be collected from 83 restaurants and lodges within the Area of Authority of the Sabha, however the council had not prepared a specific system for that.	Garbage tax collection activities is in progress.	A specific system related to collection of garbage charges should be developed.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
Although prior written approval should be obtained from the Urban Development Authority and the local government for a subdivision of land, the development of 04 plots of land in the land of 37 plots on Kosgoda Uragaha Road, which is 03 acres, 01 perches, 01 perches, had been done without permission.	The company and the owner of the land will be summoned to the planning committee to discuss and consider the land subdivision approval.	Action should be taken according to the Urban Development Authority's Rules and Regulations.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The Sabha had lost Rs.44,550 from 09 factories that were run without obtaining environmental permits, and the Sabha had not taken any action in this regard.	Reminder letters have been sent.	Licenses should be issued after a survey of the industries to be licensed.
(b) A survey should be conducted in relation to 83 restaurants and lodges in the area of authority, and the Sabha's attention was not focused on the issue of environmental permits and the damage caused by it.	In this regard, arrangements have been made to implement the second phase of the survey.	A survey should be done and action should be taken according to the Environmental Act.
(c) The Welitara Weekly Fair within the Sabha's area of authority was closed in 2020, and it had not yet been reopened by the end of the year 2023.	Due to the absence of traders, it is impossible to maintain this Fair.	A suitable action should be implemented to conduct the activities of the Fair.

3.4 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
(a) According to Section 17(3) of the Pradeshiya Sabha Act No. 15 of 1987, all properties are to be administered by the council, however no action was taken to fence 25 lands owned by the Sabha and to resolve the ownership of 11 lands.	The provision is being made to take protective measures.	The security of the lands owned by the council should be ensured.
(b) 14 lands owned by the council valued at Rs.28,788,300 and 09 lands whose value cannot be identified remained idle.	Action will be taken to utilize land effectively.	Land should be utilized effectively.
(c) 04 lands of 01 acre 02 perches owned by the Pradeshiya Sabha and 02 unspecified lands were taken over in the name of the Sabha and the Sabha had not taken action to resolve the rights.	Transfer orders have been requested for acquisition of land.	Arrangements should be made to settle the ownership of the land.

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| (d) | The value of 04 unspecified lands owned by the Sabha and 20 lands of 08 acres 02 roods 01 perches had not been assessed by a professional Assessor and included in the Fixed Assets Register. | The plan related to the plots of land are prepared and sent to the Valuation Department, new valuation values are obtained and entered in the Fixed Assets Register. | The value should be assessed and documented. |
| (e) | The tractor valued at Rs.1,000,000 received from the Southern Provincial Health Services Directorate in 2005 was not registered in the name of the Sabha. | The necessary activities to acquire the registration are currently being done. | Actions should be taken to acquire the right. |

3.5 Deficiencies in contract administration

Audit Observation	Comments of the Sabha	Recommendation	
Development of Hegalle playground			
(a)	The cutting of soil in the stadium under work item 1, the Provincial Road Development Authority had used the price rate of Rs.840 per cubic meter E1-001 introduced for cutting soil by human labor, and paid Rs.714,000 for cutting 850 cubic meters of soil, for cutting as much as 300 cubic meters of soil, the Deputy Chief Secretary's Engineering Services Office, had used cutting machines per cubic meter and carrying it to a distance of 100 meters for not using the price rate of Rs.126 per cubic meter EW-10, had overpaid Rs.606,900 for 850 cubic meters (850 X 714).	Due to the existing physical condition, it is not possible to remove the soil layer by machines.	Approved rates should be used.
(b)	Under work items 4, 9 and 23, payments were made for 41.525 cubic meters under the EW-02 price rate of the Deputy Chief Secretary Engineer's Office for cutting foundations under the price rate that was introduced for cutting soil by human labor. In this purpose, Rs.34,325 had been paid extra due to not using the price rate of Rs.483 which was introduced for cutting foundations by machines under EW-10d.	The soil was tilled by human labour.	-do-
(c)	Rs.39,731 were over paid than the prices introduced by the Deputy Chief Secretary Engineering Office instead of using the prices of the Provincial Road	This is not a road development however	-do-

Development Authority for concrete in the construction of the side wall under work item 25 and 26.

the construction of a side wall.

3.6 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
Although the officials were informed about the debt balance of Rs.61,035 to be collected from 03 retired and deceased officials, The action had not been done in accordance with Section 12.10 of Chapter xxiv of the Establishment Code of the Democratic Socialist Republic of Sri Lanka by the Management.	Necessary action are being taken to clear the loan balances.	The outstanding employee loan balances should be recovered.