

Bentota Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Bentota 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, 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 Bentota 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 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 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	Comment of the Sabha	Recommendation
(a)	The creditor's provision for the year under review amounting Rs.119,506 had been under-accounted.	Will be corrected in future.	Should be accounted correctly.
(b)	Although the head office renovation retention money has been settled, due to its non-removal, the payable deposit balance was overstated by Rs.523,738.	-do-	-do-
(c)	A over credit provision of Rs.500,000 was made for the Alakanda playground development work and a debtor provision of Rs.118,000 for unpaid leave, while the credit provision was not made for the balance of Rs.5,049,029 to be paid to the local government service pension contribution.	-do-	-do-
(d)	The value of Rs.674,434 incurred for the purchase of equipment was not capitalized under fixed assets.	-do-	-do-

- (e) The over-reimbursed permanent staff salary of Rs.361,623 was not accounted as a payable balance. -do- -do-

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	Comment of the Sabha	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987 Section 122 and sub-section (vii) (h) of section 126	By-laws had not been enacted and revenue collected for three-wheeler parking within the area of authority of the Sabha.	Further action will be done after the by-laws are approved.	By-laws should be enacted, and arrangements should be made to collect the revenue.
(b) Financial Regulations 104 of the Democratic Socialist Republic of Sri Lanka	The side glass of the backhoe was broken, and the action had not been taken for the loss of Rs. 164,150.	The action is in progress.	The action should be taken in accordance with the regulation for vehicle accident.

1.7.2 Unauthorized transactions

Audit Observation	Comment of the Sabha	Recommendation
The secretary had used the vehicle of the Sabha without group transport for 04 trips between home and office per day and had paid Rs.360,875 for the fuel.	The number of journeys has been reduced from 4 times to 2 times.	Action should be taken to minimize 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 2023 amounted to Rs.13,768,077 as compared with the excess of revenue over recurrent expenditure amounting to Rs.5,950,422 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	25,928,600	28,169,572	37,873,446	18,604,712	24,930,030	27,281,887	20,839,434	28,308,586
Rent	2,699,100	2,658,350	2,624,050	49,000	1,854,000	1,249,853	1,337,355	14,700
License Fees	643,150	967,645	980,502	77,388	885,400	621,766	636,171	90,245
Other revenue	9,213,710	15,739,523	16,973,640	30,061	7,399,100	6,970,944	6,023,539	1,264,178
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	38,484,560	47,535,090	58,451,638	18,761,161	35,068,530	36,124,450	28,836,499	29,677,709
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2.2.2 Performance in Revenue Collection

Audit Observation	Comment of the Sabha	Recommendation
(a) The arrears of assessment tax revenue was Rs.28,308,586 as at 1 January of the year under review, and the outstanding balance at the end of the year under review was Rs.18,604,712. Out of 6501 assessable units in the head office area, 924 units valued at Rs.2,182,037 had defaulted on tax payment for more than 10 years. Out of 446 tax units belonging to Induwa sub-office, 26 units had more than Rs.10,000 in outstanding balances amounting to Rs.5,701,292.	The further action will be done in relation to recovery of arrears of assessment.	The action should be taken to recover the arrears of assessment and tax income.
(b) According to 159(2) of the Pradeshiya Sabha act, by-laws were not enacted for collection of garbage tax, and Rs.448,000 was collected as garbage tax from only 14 institutions operating in the area of authority. There was no specific system for collection of garbage	The entities that do not pay garbage tax have been identified.	Action should be made to collect garbage tax income.

tax from 238 hotels and lodges identified in the area of authority.

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| (c) | A fee of Rs.241,230 due for 70 hoardings displayed in the Sabha area of authority was not collected. | Legal action has been taken for unpaid hoardings. | Actions should be taken to recover the arrears of hoardings income. |
| (d) | 06 hotels registered with the Tourist Board had not paid the 1 percent license fee since 2017. | The approval of the Governor for the proposal to reduce to 0.5% has received and that the institutions that have not paid will be recovered from the year 2019 to the year 2023 based on the judgment of the court. | The action should be taken to collect maximum income. |
| (e) | The stamp duty that should have been received from the Chief Secretary of the Provincial Council and other authorities was Rs.80,000 and the court fine was Rs.31,110,878. | The account will be prepared on an estimated value relating to the year as stamp duty and court fines will not be paid in that year. | The action should be taken to collect the arrears of income. |

3. Operational Review

3.1 Mangement Ineficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) The JCB costing Rs.5,280,681 has been parked idle for 5 years in Bentota Council work unit area exposed to the environment, and it has not been repaired and used or disposed.	Further action will be done as per the Mechanical Engineer's inspection report.	Should be repaired and reused or disposed.
(b) The scrap parts of a tractor trailer whose registration number could not be identified and a hydro cab approved for disposal in the year 2020 were not disposed.	Further action is to be done after the approval of the Commissioner of Local Government.	Action should be taken to dispose immediately.

3.2 Operational Ineficiencies

Audit Observation	Comment of the Sabha	Recommendation
As per Circular No. 4/04/01/2021 issued by the Commissioner of Southern Province, Local Government, although a Property Prohibition Officer has been appointed to collect land tax, if 75 per cent of the arrears have been collected as per the circular, 12 per cent commission can be paid, When the percentage of revenue collection was between 1 percent and 11 percent, the Sabha had paid Rs.530,421 as commission to the concerned officer contrary to that provision.	Inform that payments will be made only as per the relevant circular in future.	Action Should be done according to the circular.

3.3 Assets Mangement

Audit Observation	Comment of the Sabha	Recommendation
(a) The value of 48 plots of land owned by the council, which were 12 acres, 25 roods and 25 perches, had not been assessed.	To be assessed.	The value should be assessed.
(b) 18 plots of land of 03 acres, 17 roods, 04 perches owned by the Sabha remained as vacant land, and they had not been used for productive purposes.	In the future, it will be used for the cultivation of various crops.	The assets of the council should be used effectively.

3.4 Deficiencies in contract administration

Audit Observation	Comment of the Sabha	Recommendation
In the development of Hippanwatta Public Stadium, under work item numbers 2.1, 3.1, 3.2 and 3.3 respectively, earth cutting using machines, side wall foundation cutting and concreting due to non-use of fixed price rates for concreting and plum concreting, Rs.673,873, Rs.158,949, Rs.56,734 and Rs.203,741 were over paid respectively for the above work items.	The earth excavation was estimated using EW 16, foundation cutting was done by human labor and concreting and ct-35 rates were used.	The appropriate rates should be used.

3.5 Human Resources Management

Audit Observation

A debt balance of Rs.88,409 due from 04 officers who left the service and retired after serving in the Sabha had not been recovered.

Comment of the Sabha

The action will be taken to recovered.

Recommendation

The action should be taken to recover receivable arrears of staff loan amount.