

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Bandaragama Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of Assets and Liabilities as at 31 December 2023, Comprehensive Income Statement, Statement of changes in net assets/ equity, 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 Bandaragama Pradeshiya Sabha as at 31 December 2023, 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**

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 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 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 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 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya 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.
- (b) 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. Non-compliance with Sri Lanka Public Sector Accounting Standard for Local Authorities**

<b>Non-compliance with reference to relevant standard</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
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The statement of cash flows had not been prepared in accordance with the Chapter No. 3.27 to 3.32 of the Standard.	The correction will be made preparing the financial statements for the year 2024.	The financial statement should be prepared in accordance with Standard.
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## 1.6.2 Accounting Deficiencies

	<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a)	Although Rs.8,832,714 should be recognized as annual depreciation related to capital grants received in the previous years, only Rs.32,614 had been recognized to the income.	The correction will be made preparing the financial statements for the year 2024.	Accounts should be prepared correctly.
(b)	Although money was received under Provincial Development Grants for the Maningamuwa 4th lane development project amounting to Rs.2,162,822 and the Gammanpila Aruna Subhasinghe Mawatha development project amounting to Rs.290,093, it had been shown Rs.216,282 and Rs.290,093 respectively as debtor's balances in the financial statements.	The correction will be made end of the year.	-do-
(c)	Although the amount due for the renovation project of Maitree Town Hall under the Provincial Development Grant as at 31 December 2023 was Rs.6,535,524, but in the financial statements it was shown as Rs.7,081,976.	-do-	-do-
(d)	Capital grants amounting to Rs.9,012,060 for the year under review were shown as capital expenditure grants recognized in surplus instead of being shown as capital grants received under other comprehensive income.	The correction will be made preparing the financial statements for the year 2024.	-do-

## 1.7 Non-compliances

### **Non-compliance with Laws, Rules, Regulation and Management Decisions**

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below .

Reference to Non – Compliance Laws, Rules, Regulation and Management Decisions	Comment of the Sabha	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987	(i) The Section New developed areas in the 134(1). sabha were identified, gazetted as required and assessment tax was not collected.	The sabha does not have the gazette notification issued as developed areas. Action should be taken in accordance with rule.
(b) Public Fuel consumption test of 15 Administration vehicles owned by Sabha was Circular No. not done as per the provisions 30/2016 dated 29 December 2016. section 3.1	The testing could not be done due to the fuel crisis.	Action should be taken in accordance with circular.

## 2. Financial Review

### 2.1 Financial results

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs.78,802,975 as compared with the excess of revenue over expenditure amounting to Rs. 68,792,224 in the preceding year.

### 2.2 Revenue Administration

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

According to the information presented by the Secretary, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are as follows.

Source of Revenue	Estimated Revenue	2023			2022			Arrears as at 31 December	Arrears as at 31 December
		Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected		
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
(i) Rates and Taxes	6,874,690	7,432,910	6,960,442	6,781,262	6,686,200	7,594,881	6,663,491	931,390	
(ii) Rent	5,449,210	5,850,913	5,140,183	710,730	9,818,600	5,628,435	4,504,119	1,124,316	
(iii) License Fees	183,000	444,000	444,000	-	380,000	356,000	356,000	-	
(iv) Other Revenue	151,963,259	56,692,259	42,651,155	14,041,103	112,563,300	38,691,300	17,883,032	20,808,268	
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	164,470,159	70,420,082	55,195,780	21,533,095	129,448,100	52,270,616	29,406,642	22,863,974	
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## 2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Sabha are given below.

Audit Observation	Comment of the Sabha	Recommendation
<b>(a) Rates and Taxes</b>		
The outstanding balance of assessment was Rs.2,889,615 as at 01 January 2023 and Rs.1,295,867 or 45 percent had not been collected as at 31 December 2023.	That Rs.181,373 have been recovered by 31.03.2024.	Arrangements should be made to collect the arrears of revenue as soon as possible.
<b>(b) Other Income</b>		
The court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities by 31 December 2023 were Rs.3,613,470 and stamp duty was Rs.79,000.	schedules are being prepared.	-do-

## 3. Operational Review

### 3.1 Activities 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 sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
Although 03 tons of the daily collected biodegradable waste had been sent to the Deldorawatta garbage yard of the Millaniya Pradeshiya Sabha since 22 May 2023, Rs.6,044,000 was paid during the year under review for giving the garbage to a private company due to the large amount of garbage generated in the area and the sabha not having a garbage yard.	Since 03 tons of biodegradable waste is given to Millaniya Pradeshiya sabha, the payment to the private company has decreased and non-biodegradable waste is sent to INCE.	Attention should be paid to reducing the collection of compostable waste by providing household compost bins and using the collected waste for compost production.

### 3.2 Management Inefficiency

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) Millaniya Pradeshiya Sabha was established as a separate unit from Bandaragama Pradeshiya Sabha on 11 February 2018 and although almost 06 years had passed since its establishment, the distribution of assets had not been settled after paying the arrears amounting to Rs.35,663,712.	The amount should be paid in instalments will be determined according to the agreement presented by the Commissioner Local Government Kalutara.	The arrears should be paid and the distribution of assets and liabilities should be expedited.
(b) Advances of Rs.14,788 and Rs.50,000 in the year 2006 and 2011 respectively had not been settled in the year under review and no detail regarding the balance of the advance amounting to Rs.4,159,923 which came prior to year 2000.	Detail cannot be found regarding Rs.14,789. It has been informed that the advance related to Rs.50,000 cannot be settled by C/S Bandaragama Various Services Cooperative Society and details cannot be found related to Rs.4,159,923.	Prompt action should be taken regarding settlement of advance balances.

(c) Industrial creditor balances totalling Rs.140,906,270 from the year 2012 to the year 2020 had not been settled even in the year under review.	It will be settled in the year 2024.	Long term creditor balances should be settled promptly.
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### 3.3 Operational Inefficiency

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) Although the arrears rent amounting to Rs.92,429 as at 31 December of the year under reviewed had been sub-leased by the owner of shop no.22 without informing to sabha to another party for a monthly rent of Rs.17,000, sabha had not taken any action to against the arrears of rent and sub-lease the shop.	That a case has been filed to provide a shop room without charge, and after the decision, action will be taken against the interim lease.	Action should be taken according to shop rent agreement.
(b) The Game Kade which was started after purchasing fixed assets of Rs.940,140, was continuously incurring losses and the methods of this project had not been revised and alternative methods had not been taken.	Prompt action is to be taken	Assets should be utilized with maximum efficiency to generate revenue

### 3.4 Idle or under-utilized Assets

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) Two stone rolls since 2017, one stone roll since the 2020 and back loader since 2021 were idle and not repaired as at 31 December 2023.	That the prices will be called from the agency and repairs will be made in the future.	Repair work should be carried out and assets should be used efficiently.
(b) Although 02 hand tractors and a motorcycle owned by the sabha had been identified for dispose and a dispose committee was appointed on 23 May 2023, dispose had not been done as at 31 December 2023.	As the work has been delayed due to an unqualified committee, a committee will be re-appointed and further work will be carried out.	Qualified committee should be appointed and dispose activity should be expedited.



### 3.5 Assets Management

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) According to the Section 10 of the Ordinance No. 57 of 1946 on Public Cemeteries and Private Cemeteries, fence boundaries were to be prepared for the protection of cemeteries, however the fence boundaries of none of the cemeteries owned by the council had not been prepared and the ownership of 25 cemeteries had not been transferred to the Sabha.	Bandaragama Divisional Secretary has been informed on 04.08.2023 to take over the right. The fence boundaries have not been prepared as there is no right yet.	The owner ship of the lands should be taken over and protective fences should be build.
(b) 02 cabs owned by the sabha had not been assigned to the the sabha.	The ownership of the vehicle bearing number PE-7465 has been handed over to the Department of Motor Vehicles on 06.12.2023 and it has been delayed due to the lack of details related to the vehicle bearing number 53-4613..	Assets owned by the sabha should be transferred to the name of the sabha.

### 3.6 Human Resource Management

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
The loan balance of 1,166,832 due from 11 deceased, vacated post, retired and interdiction employees had not been recovered.	The amount Rs. 14,800 due from the deceased employees will be recovered from the retirement gratuity and no responses although letters were sent to the vacated employees.	Outstanding loan balances should be recovered as soon as possible.