

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Biyagama Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of assets and liabilities as at 31 December 2023 and the statement of comprehensive income, statement of the 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 subsection 172 (1) of the Pradeshiya Sabha Act, No.15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Biyagama Pradeshiya Sabha as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standard for Local Authorities.

1.2 Basis for Qualified Opinion

I expressed a qualified opinion on the financial statements 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 this 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 Standard 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 Scope of Audit (Auditor's Responsibility in Auditing 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:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed 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.
- Obtained 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 the internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluated 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 the Pradeshiya Sabha 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 periods 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 Sri Lanka Public Sector Accounting Standard for Local Authorities.

| Audit Observation | Comment of the Pradeshiya Sabha | Recommendation |
|---|---|--|
| Although the Financial Statements should be accounted on accrual basis in accordance with Chapter 2.5 of the Standard, the court fines & stamp duty received during the year under review for previous years and the Audit fee value that had been paid; Rs.295,398,089 and Rs.546,981 respectively had been accounted as incomes and expenditures. | The audit fees cannot be exactly determined, and the intervention of those institutions is required for stamp fees and court fines. | The Finance Statements should be accounted on accrual basis. |

1.6.1 Accounting Deficiencies

| Audit Observation | Comment of the Pradeshiya Sabha | Recommendation |
|---|--|-----------------------------------|
| The employee salary of Rs.15,036,101 not-reimbursed related to the current year had been debited to the accumulated fund instead of being debited to the employee salary account. | The proceedings will be done so as not to happen it hereafter. | It should be accounted correctly. |

1.7 Non-compliance

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

The instances of non-compliance with Laws, Rules and Regulations and Management Decisions are as given below

| | Reference to Laws, Rules, Regulations and Management Decisions | Non-Compliance | Comment of the Pradeshiya Sabha | Recommendation |
|-----|--|---|---|---|
| (a) | Section 20 of the Rating and Valuation Ordinance 30 of 1946 | The assessment taxes had been collected based on the valuations of the years 2008 and 2012. | The Valuation Department has been requested to conduct a new valuation. | The reminders should be sent again and the assessment tax should be collected as per the new rates. |
| (b) | Financial Regulation 571 of Democratic Socialist Republic of Sri Lanka | The deposits amounting to a total value of Rs.1,443,559 had not been settled. | The actions will be taken to settle the amount in future. | The proceedings should be done as per the Financial Regulation. |
| (c) | Order No. 83(ii) on the Accounting Matters related to the Financial Administration of the Pradeshiya Sabha of Western Province | An Employee Loan Advance Account had not been maintained. | The proceedings will be done for that in future. | The proceedings should be done as per the order. |

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.201,645,061 as compared with the excess of revenue over expenditure amounted to Rs.188,532,345 in the preceding year.

2.2 Revenue Administration

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

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

| Revenue Source | 2023 | | | | 2022 | | | |
|---------------------|--------------------|-------------------|--------------------|---------------------------------|--------------------|-------------------|--------------------|---------------------------------|
| | Estimated Revenue | Billed Revenue | Collected Revenue | Total deficit as at 31 December | Estimated Revenue | Billed Revenue | Collected Revenue | Total deficit as at 31 December |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| (i) Rates and Taxes | 78,937,332 | 81,142,124 | 85,082,494 | 68,915,184 | 78,530,710 | 78,878,277 | 72,893,953 | 72,855,554 |
| (ii) Rents | 8,188,546 | 7,023,996 | 6,381,916 | 11,653,229 | 7,679,130 | 7,184,542 | 6,374,447 | 11,218,577 |
| (iii) License Fees | 6,145,000 | 6,313,725 | 51,717,824 | | 6,318,000 | 5,778,977 | 5,778,977 | |
| (iv) Other income | 36,191,100 | | 48,616,222 | | 29,683,100 | | 42,557,869 | |
| Total | <u>129,461,978</u> | <u>94,479,845</u> | <u>191,798,456</u> | <u>80,568,413</u> | <u>122,210,940</u> | <u>91,841,796</u> | <u>127,605,246</u> | <u>84,074,131</u> |

2.2.2 Performance in Collecting Revenue

| | Audit Observation | Comment of the Pradeshiya Sabha | Recommendation |
|------|---|--|---|
| (a) | Rates and Taxes | | |
| (i) | Since the recoveries made from the assessment tax of Rs.72,855,555 overdue as at 01 January 2023 was Rs.21,691,292, the percentage of recoveries made was 30 percent. | The collection of overdue income is being implemented. | The overdue income from the assessment tax should be collected. |
| (ii) | The outstanding balance amounting to Rs.1,730,501 of 05 units having overdue assessment value of more than Rs.50,000 had not been recovered. | The recoveries will be made prohibiting the property. | The overdue income from the assessment tax should be collected. |

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|------------------|--|---|--|
| (iii) | There was a balance of Rs.17,500,243 from the overdue assessment balance which was 25 percent between 5 to 10 years, Rs.16,586,007 which was 24 percent between 3 to 5 years, Rs.14,528,152 which was 21 percent over 10 years, Rs.11,716,944 which was 17 percent between 1 to 3 years, and Rs.8,583,838 which was 12 percent less than 1 year from the overdue assessment balance as at the end date of the year under review. | The collections are being done according to the plans. | The overdue income from the assessment tax should be collected. |
| | | | |
| (b) Rents | | | |
| (i) | Rs.8,904,453 which was 89 percent of the outstanding rental balance from the trading places had been between 5 to 10 years, and Rs.1,023,480 which was 10 percent had been between 3 to 5 years as at the end of the year under review. | Further proceedings will be done as per the decision of the court, and the outstanding amounts are being collected. | The overdue income from the rents of trading places should be collected. |
| (ii) | The balance between 1 to 3 years from the outstanding rent balance had been Rs.1,053,157 and the balance between 3 to 5 years had been Rs.428,070 as at the end date of the year under review. | The proceedings are done in accordance with the plan. | The overdue income from the rents should be collected. |
| (iii) | Since the value charged from the overdue rent balance amounting to Rs.1,671,055 as at 01 January 2023 was Rs.124,625, the percentage of collection had been 07 percent. | The arrangements will be made to recover. | The overdue income from the rents should be collected. |
| | | | |
| (d) Other income | | | |
| | The schedules for the court fines from the year 2020 to the year 2023 and the stamp duty of 2 land registrar's offices for the years 2021 and 2022 had not been prepared and sent to the Provincial Department of Revenue. | The schedules could not be prepared. | The schedules should be prepared and the income from court fines and stamp duty should be collected. |

3. Operation Review

3.1 Fulfilling the tasks assigned by the Act

| Audit Observation | Comment of the Pradeshiya Sabha | Recommendation |
|---|--|-------------------------------------|
| Out of 345 public complaints received during the year under review, only 213 had been resolved. | Agreed. | Public complaints should be solved. |

3.2. Management Inefficiencies

| Audit Observation | Comment of the Pradeshiya Sabha | Recommendation |
|--|--|--|
| (a) A sum of Rs.17,000,000 over 2 years and Rs.35,576,155 between 1 and 2 years were in the creditor balance as at the end date of the year under review, and no actions had been taken to settle those balances. | The remaining amount is to be reimbursed. | The creditor balance should be settled. |
| (b) The value of 792 house rent deposits amounting to Rs.804,347 deposited from the year 2000 to the year 2023 had not been paid to the house rent owners. | It will be settled subsequent to informing the house owners. | The actions should be taken to make payments. |
| (c) The value of 14 items amounting to Rs.53,199,658 that had been accounted as creditors and ongoing works from the year 2018 to the year 2022 had not been completed and the creditor balances had not been settled. | The payment remains on hold until the amount is reimbursed. | The payments should be made after completing the work. |
| (d) The balance of value added tax account amounting to Rs.2,425,043 had not been settled since many years. | It will be settled in future. | The amount should be settled. |

3.3 Idle or under-utilized Property, Plants and Equipment

| Audit Observation | Comment of the Pradeshiya Sabha | Recommendation |
|--|--|--|
| (a) Although a gully bowser had been purchased for Rs.1,025,000 on 02 February 2018, the gully bowser service had not been maintained after the year 2020. | Since using it within the Pradeshiya Sabha area is not effective, it is to be used for road maintenance. | The idle expense should be recovered from the responsible parties. |
| (b) As the Tractor with the assessment value of Rs.295,000 received under the Greater Colombo Economic Commission was inoperative, it had been abandoned in the waste yard since 2017. | The tractor has been sent for maintenance activities. | The actions should be taken to repair and use or to dispose. |
| (c) It was observed that 6 bathing wells worth Rs.2,739,000 had been silted up and 24 bathing wells worth Rs.3,642,000 were not in use. | The wells are used as appropriate. | The actions should be taken to use by identifying the need and to amend the accounted value. |

3.4 Assets Management

| Audit Observation | Comment of the Pradeshiya Sabha | Recommendation |
|--|--|---|
| (a) The boundaries of 27 land lots worth Rs.127,400,000 owned by the Pradeshiya Sabha had not been prepared and the name board had not been installed. | The boundary preparation activities have been started. | The boundaries should be prepared and the name board should be installed. |
| (b) 4 Bathing wells worth Rs.479,000 had remained impossible to be found. | The wells cannot be identified and the matter will be referred to the revaluation committee. | The assets that have been accounted should be physically identified. |

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|-----|---|-----------------------------------|---|
| (c) | The tractor worth Rs.500,000 received from the Ministry of Finance in 1995 had not been taken over to the Pradeshiya Sabha. | The activities have been started. | The vehicles in use should be taken over to the Pradeshiya Sabha. |
|-----|---|-----------------------------------|---|

3.5 Human Resource Management

| Audit Observation | Comment of the Pradeshiya Sabha | Recommendation |
|---|--|---|
| The loan and the advance balance amounting to Rs.1,229,662 of 9 officers who vacated the service, retired and died from the year 2019 to 2022 had not been collected. | Notices will be sent to pay the loan amounts and the death gratuity has been prepared and forwarded. | The outstanding employee loan balances should be recovered. |