

## **Bingiriya Pradeshiya Sabha - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Bingiriya Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023, and statement of financial operations, statement of changes in 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 financial statements give a true and fair view of the financial position of the Bingiriya 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**

I express qualified opinion in respect of 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 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, 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 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 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

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

- (a) The financial statements of the Pradeshia 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 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 Preparation of Financial Statements

### 1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) The total value of Rs 3,158,358 of 03 buildings which were completed during the year under review had not been capitalized .	Actions will be taken to correct by the final financial statements 2024.	Assets should be accurately accounted for.
(b) Four hand carts used in the solid waste centre valued at Rs.106,000 had been removed from the motor vehicle and cart account without having a recommendation.	Actions will be taken to correct by the final financial statements 2024 .	Assets should be accurately accounted for.
(c) The value of medicines which was Rs.362,140 as at December 31 of the year under review had not been accounted for.	-do-	-do-
(d) There were 03 cases that had not been completed by 31 December 2023 and disclosures had not been made in the financial statements.	-do-	Contingent liabilities should be disclosed in the financial statements.

## 1.6.2 Unreconciled Control Accounts

<b>Audit Observation</b>	<b>Comments of the Secretary</b>	<b>Recommendation</b>
There was a difference of Rs.13,635,962 between the balances shown in the financial statements and the balances in the related schedules in the account items of land, buildings, employees' guarantees, motor vehicles and carts as at the last day of the year under review.	Agree with the observation.	Financial statement balances and related schedules should be prepared accurately.

## 1.7 Non-compliance

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

<b>Reference to Laws, Rules, Regulations, Management Decisions etc.</b>	<b>Non-compliance</b>	<b>Comments of the Secretary</b>	<b>Recommendation</b>
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulations 371	Sixteen advances of Rs 358,252 and an unrecognized advance of Rs 822,418 provided by the Sabha 2018 had not been settled .	Agree with the observation.	Actions should be taken in terms of Financial Regulations.
(ii) Financial Regulations 571 (2)	Although the lapsed deposits should be credited to the revenue, lapsed deposits valued at Rs.292,912 had not been settled either by refund or by taking to the State Revenue.	-do-	-do-
(b) 1/2002 Public Administration Circular No. 1/2022, Letters dated 25 February 2022	Annual revenue licenses for the year 2023 had not been obtained for 3 vehicles owned by the Sabha.	-do-	Actions should be taken in terms of circular.

(c) Local Government  
Circulars

- |       |   |  |                             |  |
|-------|---|--|-----------------------------|--|
| (i)   | Local Government Department Circular No. 03/2015 dated 02 November 2015 | The Register of Street Lights had not been maintained in an updated manner.  | -do-                        | Actions should be taken in terms of circular.  |
| (ii)  | Circular No. 2018/ e-local government dated 01 and 19 July 2018         | Citizens were not facilitated to submit applications and make payments online.   | -do-                        | Actions should be taken in terms of circular.  |
| (iii) | Section 1.2 ii of Circular No. 2010/02 and dated 30/07/2010             | Although a divisional transfer system should be implemented once in 02 years for officers who find it difficult to do so, it had not been so done.   | -do-                        | Actions should be taken in terms of circular.  |
| (b)   | Pradeshiya Sabha (Financial and Administrative Rules )                  |  |                             |  |
| (i)   | Rule 33   | Although a list of rates defaulters and a Distress Warrant of properties should be prepared by the Assessment Clerk at the end of each quarter and submitted to the Chairman for his signature, this was not done. | Agree with the observation. | Actions should be taken in terms of the Rule.. |
| (ii)  | Rule 218  | Although an annual survey of land and buildings should be conducted by an appointed board, it had not been so done.  | -do-                        | -do-   |

## 2. Financial Review

### 2.1 Financial Results

As per the financial statements presented, revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2023 was Rs. 40,744,083 and as correspondence revenue that exceeded the recurrent expenditure of the preceding year was Rs. 77,412,377.

## 2.2 Financial Control

Audit Observation	Comments of the Secretary	Recommendation
(a) Actions had not been taken to identify and settle the unidentified debit balance of Rs.181,846 in the current account of the Bank of Ceylon in December 2023 according to the bank reconciliation statement that had remained for several years.	Agree with the observation..	Actions should be taken to settle .
(b) Although the value of employees' deposit was Rs 243,499, thus the amount invested was Rs 167,674, there was a a difference of Rs. 75,825.	-do-	-do-

## 2.3 Revenue Administration

### 2.3.1 Estimated Revenues, Billed Revenues, Collected Revenues and Arrears of Revenues

As per the information presented by the Secretary , the details about the estimated revenue, billed revenue, collected revenue and arrears of revenue presented for the year under review and the previous year are as follows.

Source of Revenue	Year 2023				Year 2022			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December (from Billed Revenue)	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December (from Billed Revenue)
	₹000.	₹000.	₹000.	₹000.	₹000.	₹000.	₹000.	₹000.
Rates and Taxes	5,960	17,613	5,189	87	4,692	1,707	3,209	179
Rents	20,902	6,799	17,715	20	20,872	6,629	14,525	118
License Fees	2,466	-	2,219	-	1,802	-	1,564	-
Other Income	67,483	-	64,266	-	115,603	-	84,637	-
<b>Total</b>	<b>96811,</b>	<b>24,412</b>	<b>89,389</b>	<b>107</b>	<b>142,969</b>	<b>8,336</b>	<b>103,937</b>	<b>297</b>

## 2.2.2 Performance of Revenue Collection

Audit Observation	Comments of the Secretary	Recommendation
(a) There was an arrears of rates of Rs 43,420 and an arrears of acreage tax balance of Rs 37,591 as at 31 December of the year under review.	Agree with the observation..	Arrears of rates should be recovered.
(b) There has been an arrears of lease rent of Rs. 381,650 from 5 meat shops.	-do-	Arrears of revenue should be recovered
(c) Although the judgment was received for legal procedures conducted for the arrears of Rs 241,038 and Rs 38,100 for the years 2012 and 2013 respectively for the pork stall at Weerapokuna Sathipola, the money was not recovered.	-do-	-do-
(d) Court fines receivable relating to the year 2023 was Rs 8,489,208 and stamp duty receivable was Rs 12,468,525 from the Chief Secretary of the Provincial Council and other authorities.	-do-	Actions should be taken to collect the arrears of balances promptly.

## 3. Operational Review

### 3.1 Performance of functions assigned by the Act

Audit Observation	Comments of the Secretary	Recommendation
Although Rs 2,369,562 had been spent on solid waste management during the year under review, only an income of Rs 350,335 had been earned.	Agree with the observation.	Efforts should be made to properly manage bio-degradable and non-degradable waste and develop income generating activities.

### 3.2 Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Secretary</b>	<b>Recommendation</b>
(a) The value of 09 accounts receivable balances as at 31 December of the year under review was Rs.43,411,464 .	Agree with the observation.	The amounts receivable to th Sabha should be collected promptly.
(b) The total value of 05 accounts payable balances as at 31 December of the year under review was Rs. 87,309,439.	-do-	-do-
(c) Although the Sabha had given 725 chairs, 14 summer huts and 28 flashlights to 15 registered Community Associations of the Pradeshiys Sabha in the year 2020, there was no follow-up on whether the items were used by the Community Association for the intended purposes.	-do-	-do-
(d) There were unrecognized employee loan balances of Rs.249,853 which had remained for many years and actions had not been taken to identify and recover it.	Agree with the observation.	Employee loans should be recovered properly.

### 3.3 Assets Management

<b>Audit Observation</b>	<b>Comments of the Secretary</b>	<b>Recommendation</b>
(a) Fixed asset records relating to furniture and fittings, machinery and equipment had not been updated.	Agree with the observation.	Register of Fixed Assets should be maintained in an updated manner.
(b) The street light register and data system had not been updated.	-do-	The register of street lights should be maintained up to date.
(c) Even though 18 sports grounds belonging to the Sabha had been identified, their ownership had been confirmed by the date of audit.	Agree with the observation.	Actions should be taken to take over the assets.



- (d) The number of cemeteries maintained by the Sabha was 122, and out of which, the ownership of land of 40 cemeteries had not been transferred to the Sabha. -do- -do-

### 3.4 Human Resources Management

Audit Observation	Comments of the Secretary	Recommendation
(a) There were 01 vacancy and 03 excesses in the approved staff of the Sabha.	Agree with the observation.	The staff requirement should be reviewed periodically.
(b) Although recruitment were done under Public Administration Circular No. 26/2014, there were 5 employees who had not received approval for the respective balances as at the date of audit.	-do-	-do-

### 3.5 Vehicle Systems Management

Audit Observation	Comments of the Secretary	Recommendation
(a) Although 18 motor vehicles were revaluated on 08/Nov 2023, the Register of Fixed Assets had not been updated with the revaluated amounts.	Agree with the observation.	Register of Fixed Assets should be maintained up to date.
(b) The numberless water bowser, which had been entered in the Register of Fixed Assets at a cost of Rs 245,000, had not been revaluated in the year 2023 .	-do-	-do-
(c) The Sabha had not included the information about trailers owned by the Sabha in the vehicle register in terms of Finance Regulation 1647(e) .	Agree with the observation.	Register of Fixed Assets should be maintained up to date.

- |     |  |      |      |
|-----|--|------|------|
| (d) | A car owned by the Sabha and a vehicle number 32-0963 had not been handed over to the Sabha even by the date of audit. | -do- | -do- |
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#### 4. Accountability and Good Governance

##### 4.1 Budgetary Control

Audit Observation	Comments of the Secretary	Recommendation
There were 59 per cent to 134 per cent variation between estimated and actual income in 07 revenue items and more than 75 per cent variation between estimated and actual expenditure in 77 expenditure items.	Agree with the observation	Estimates should be prepared rationally.

##### 4.2 Sustainable Development Goals

Audit Observation	Comments of the Secretary	Recommendation
(a) Sustainable Development Agenda – Out of 27 projects planned for the year under review to achieve the 2030 Goals, 13 projects had not been completed.	Agree with the observation	Sustainable development goals and objectives should be identified and achieved.
(b) Even though a sum of Rs. 7,400,000 had been estimated for the 14 projects completed during the year to achieve sustainable development goals, thus the actual expenditure was Rs. 2,757,220, overestimates had been prepared.	-do-	-do-