

Bope poddala Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Bope Poddala Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Statement of financial position as at 31 December 2024, 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 with subsection 10(1) 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 Bope Poddala Pradeshiya Sabha as at 31 December 2024, 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 expressed qualified opinion 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 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

National Audit Act No. 19 of 2018 contains special provisions regarding the 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 described in paragraph 1.6 of this report 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 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) The value of 09 mechanical and construction closing stock items was under-accounted by Rs. 607,662.	Correction will be made when preparing the financial statements for the year 2025.	The closing stock value must be accurately calculated and accounted.
(b) The tractor and trailer value Rs.1.25 million registered in the name of the Secretary of the Bentota Pradeshiya Sabha used by the Sabha had been accounted for under Motor Vehicles and Carts as an asset of the Sabha.	Correction will be made when preparing the financial statements for the year 2025.	The assets should be taken over by the Sabha and accounted.
(c) The value of 9 solar power systems owned by the Sabha value Rs.11.73 million was stated under furniture and fittings.	Correction will be made when preparing the financial statements for the year 2025.	The cost of solar panel systems should be accounted for under the correct fixed asset category.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comment of the Sabha	Recommendation
Due to non-submission of Detailed schedules for the confirmation of 04 accounting items aggregating to Rs. 260.85 million could not be examine satisfactorily.	Detailed information has not been found.	Written evidence confirming account balances must be submitted to the audit.

1.7 Non-compliances

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

Non-compliance with laws, rules, regulations and management decisions are shown below.

	Reference to Laws, Rules, Regulation	Non compliance	Comment of the Sabha	Recommendation
(a)	Section 17(3) of the Pradeshiya Sabha Act, No. 15 of 1987	Although all the properties owned by the Sabha were to be utilized for the purposes of the Act, 27 plots of land owned by the Sabha remained idle without complying with the Act.	The portions allocated for public works remain idle.	Action should be taken to utilize the property owned by the Sabha to generate income.
(b)	Section 9.2 of Chapter VIII of the Establishment Code of the Democratic Socialist Republic of Sri Lanka	Even though he is not a staff officer, field officer or an officer deprived of overtime allowance, can be paid compensatory leave or 1/30 of the monthly salary for working on holidays, but without complying with this, Rs.98,156 in excess holiday pay was paid to 04 officers of the Sabha.	Days pay has been paid in accordance with Section 10 of Chapter VIII of the Establishments Code.	Action should be taken in accordance with Section 9.2 of the Establishments Code and action should be taken to recover the excess payments from the responsible officers.
(c)	Public Administration Circular No. 18/2001 dated 22 August 2001	Although every officer who has served in the same place of work for a maximum period of 05 years should be granted annual transfers, in violation of that 48 officers of the Sabha had been engaged in the service of the Sabha office for a period of between 06 and 30 years,.	Transfer applications have been submitted for the year 2025.	Transfers should be made in accordance with the transfer policy and circulars.

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 2024 amounted to Rs.80.18 million as compared with the excess of revenue over recurrent expenditure amounting to Rs.69.43 million 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 submitted by the Secretary of the Sabha, the information on estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year is shown below.

Source of Revenue	2024				2023			
	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	19,588,822	19,088,487	17,178,505	84,004,311	24,110,000	17,437,155	12,140,000	82,094,329
Rent	6,229,650	4,772,350	7,056,029	355,750	5,080,000	5,155,370	5,566,755	2,639,429
License Fees	545,220	449,010	1,286,040	63,050	961,000	1,277,896	1,190,466	900,080
Other revenue	41,730	20,775,960	21,384,786	1,081,158	147,104,000	18,164,008	16,562,814	1,689,984
	<u>26,405,422</u>	<u>45,085,807</u>	<u>46,905,360</u>	<u>85,504,269</u>	<u>177,255,000</u>	<u>42,034,429</u>	<u>35,460,035</u>	<u>87,323,822</u>

2.2.2 Performance in Revenue Collection

Observations related to performance in revenue collection of the Sabha are given below.

Audit Observation	Comment of the Sabha	Recommendation
(a) Rates and Taxes		
(i) The outstanding rates and tax income, which was Rs.82.1 million as at 01 January of the year under review, had increased to Rs.84 million by the end of the year. Although the rates and tax income due during the year was Rs.101.18 million, the revenue collected was Rs.17.2 million, indicating a low progress of 17 percent in rates and tax collection.	Action will be taken to recover the arrears of revenue.	A program with a specific time frame should be developed to collect arrears of revenue and arrears should be collected promptly accordingly.
(ii) Although the assessable property is required to be assessed every 5 years in accordance with Section 20 of the Rating and Valuation Ordinance No. 30 of 1946, the last	Action will be taken to recover the revenue after receiving the assessment reports.	The assessment should be carried out promptly and the assessment revenue should be collected.

assessment was carried out in 2015 and 2017.

(b) Rent

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| (i) | Due to non-recovery of rental income in accordance with the provisions of Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987, there was a rent arrears of Rs. 355,750 as at the end of the year under review. | Action will be made to recover the amount in the future. | Action should be taken against officials who have not acted in accordance with the provisions of the Act and action should be taken to recover the arrears of revenue. |
| (ii) | Although paragraph 05 of the Circular No. දපපා/පපාකො /2010/01 dated 27 December 2010 of the Commissioner of Local Government of the Southern Province, each stall agreement should be updated once every 03 years, the agreements of 28 stalls owned by the Sabha had not been updated. | The shop owners have been informed on several occasions and so far, there has not been response. | Arrangements should be made to update agreements as per circular instructions. |
| (iii) | Thirteen shops in the Labuduwa shopping complex had been closed, and another 7 shops were being used by a party other than the lessee. | The shops are inspected and that legal procedures are being followed. | Action should be taken in accordance with the agreements regarding closed shops and parties who have sub-leased. |
| (iv) | The Sabha had not taken action to recover the rent of Rs.600,000 due for the period from May 2023 to 31 December 2024 for leasing a portion of the Sabha land in the Kalegana area to a government bank. | Action have been made to enter into new agreements with the Bank of Ceylon and to collect outstanding income as soon as possible. | Arrears of revenue should be collected promptly. |

(c) Other Revenue

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| (i) | Survey was not conducted regarding the collection of billboard fees for the year under review and as at the end of the year, there was arrears of Rs.589,965 in billboard fees. | A survey of billboards will be conducted and action will be taken to recover outstanding income. | Arrears of revenue should be collected promptly. |
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| (ii) | The court fines due from the Chief Secretary of the Provincial Council and other authorities as at 31 December of the year under review were Rs.0.45 million and stamp duty was Rs.165.6 million. | The outstanding court fines and stamp duties will be collected in the future by the Chief Secretary. | A formal program should be developed and implemented to recover arrears of income. |
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3. Operational Review

3.1 Identified Losses

Audit Observation	Comment of the Sabha	Recommendation
The Finance Committee had called for quotations from 08 institutions to purchase 1000 bulbs for road lighting purposes and decided to purchase one from the institution that had submitted the lowest price that matched the specifications for Rs.250. However, due to the fact that each bulb was purchased at Rs.1,195 each without complying with this, a loss of Rs.445,000 had been incurred to the Sabha fund.	This situation has occurred due to the purchase of goods according to the specified specifications.	Procurement guidelines should be followed and overpayments should be recovered from the responsible officials.

3.2 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Although a building permit can only be extended for up to 2 years in terms of Section 10(6) of the Urban Development Authority Act No. 45 of 1978, Only 146 applicants had obtained compliance certificates for 501 building development permits approved by the Sabha from 2021 to 2024, and further action had not been taken on the other development permits.	Reminder letters will be sent in the future for building plans that have not yet obtained compliance certificates.	The issuance of certificates of compliance for building development permits should be streamlined.
(b) Due to the failure of 198 institutions that were required to obtain environmental permits for the year under review to obtain permits, Rs.891,000 in permits and Rs.594,000 in inspection fees had	The Central Environmental Authority issues licenses for 119 industries, and the Sabha includes industries that	A formal and timely process should be developed to renew environmental permits and issue

not been collected from the Sabha and the Sabha had not paid attention to the damage caused to the environment by those institutions. Also, the permits of 32 institutions that had obtained environmental permits had expired by the year under review, but action had not been taken to renew them.

require licenses in the permits. licensing process.

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| (c) In accordance with Section 107(2) of the Pradeshiya Sabha Act No. 15 of 1987, the Sabha had not taken action to recover from the relevant party the amount of Rs.141,500 that had been spent on removing dangerous trees. | Will be issued reminders again in the future and take legal action against those who do not pay. | Action should be taken to recover the amount in accordance with the provisions of the Act. |
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3.3 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) 293 inventory units value Rs.93,088 related to 12 items purchased without identifying the need remained idle.	Action will be taken to provide it to institutions in need and to use the remaining stocks this year.	Action should be taken against the officials responsible for purchasing without recognizing the need.
(b) 558 stock units relating to 11 stock items worth Rs.120,660 for street light repairs had been lying idle for several years without being used.	It is planned to be used in 2025.	The relevant officials should be held accountable for purchasing without identifying the need.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comment of the Sabha	Recommendation
Action had not been taken to implement 12 projects value Rs.34.4 million included in the action plan for the year under review.	That proposals that should be given higher priority have been identified and implemented.	The action plan should be scientifically formulated and implemented, taking into account the resources and funding available to the Sabha.