

Bentota Pradeshiya Sabha - 2024

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 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 sub-section 10(1) of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be reported 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 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 include specific provisions for following requirements.

- 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.
- 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 Accounting Deficiencies

	Audit Observation	Comments the of council	Recommendation
(a)	Interest income and current assets were understated by Rs. 363,162 due to non-accounting of interest income on fixed deposits receivable for the year under review.	To be corrected in the year 2025	The unaccounted interest amount on fixed deposits should be accounted for.
(b)	Current liabilities were understated by Rs. 402,000 due to under-accounting of creditor provisions for the year under review.	To be corrected by a journal entry in the year 2025	The under-accounted creditor provisions should be accounted for correctly.
(c)	The value of current liabilities was overstated by the amount of Rs. 335,215, which was the value of 04 industries that had not been started, as creditors.	That it will be corrected in the year 2025.	Creditor provisions should not be made for expenses that are not liabilities in relation to the year

(d)	Since the capital expenditure of Rs. 500,000 incurred for the installation of the booth and gate of the Baliwala stadium in the year under review was not accounted for under fixed assets, fixed assets were understated by that amount.	That it will be capitalized in the preparation of the accounts for the year 2025.	under review. Fixed assets that have not been accounted for should be accounted for.
(e)	Provisions had not been made under creditors for the balance of Rs. 5,091,504 payable towards the Local Government Service Pension Contribution at the end of the year under review.	That necessary measures would be taken to rectify the same in the year 2025.	The amount payable towards the Local Government Service Pension Contribution should be specifically identified and accounted for.
(f)	Action had not been taken to assess and account for the value of 41 plots of land held by the Council.	Action would be taken to assess and account for the lands step by step over the next 05 years.	The value of the lands should be assessed and accounted for.

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the council	Recommendation
A difference of Rs. 23,844,173 was observed between the balances relating to 03 accounting subjects shown in the financial statements and the balances shown in the schedules as at 31st December of the year under review.	The final account is prepared on the basis of the total estimated values of court fines and stamp duties relating to the year 2024 and the difference has been made because the disapproved amount is not in the schedules.	The reasons for the difference between the balances shown in the financial statements and the balances shown in the schedules should be examined and corrected.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
Due to non-submission of detailed schedules, it was not possible to satisfactorily examine 04 accounting subjects with a total value of Rs. 21,614,099.	It is stated that steps will be taken to update the schedules in the future.	Relevant schedules should be submitted to verify the account balances.

1.7 Non-compliances

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

The following are observations of non-compliance with laws, rules, regulations and management decisions.

Reference to laws, rules, regulations etc.	Non-compliance	Comments of the Council	Recommendation
Paragraph 05 of the Southern Local Government Commissioner's Circular No. 4/04/01/2021	states that a commission of 12 percent can be paid only if the Property Foreclosure Officer has collected 75 percent or more of the total outstanding value, but when the percentage of outstanding revenue collection in relation to 04 properties was at a level of 48.8 percent, the Council had paid an amount of Rs. 266,339 as commission.	That the relevant payments have been made on the advice of the Local Government Commissioner and the recommendation and approval of the Finance and Policy Committee.	Payments should not be made contrary to law and incorrect payments should be recovered.

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.18,188,890 as compared with the excess of revenue over recurrent expenditure amounting to Rs.137,680,77 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, the following is information on estimated income, billed income, collected income and arrears of income for the year under review and the previous year.

2024					2023				
Source of Revenue	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.	Rs.	
Rates and Taxes	27,923,703	32,171,368	31,507,027	19,269,053	25,928,600	28,169,572	37,873,446	18,604,712	
Rent	12,565,100	4,072,300	4,055,300	66,000	2,699,100	2,658,350	2,629,050	49,000	
License Fees	819,278	761,548	833,636	5,300	643,150	967,645	980,532	77,388	
Other revenue	7,119,740	13,628,109	13,658,170	-	9,213,710	15,739,523	16,973,640	30,061	
	48,427,821	50,633,325	50,054,133	19,340,353	38,484,560	47,535,090	58,456,668	18,756,161	

2.2.2 Performance in Revenue Collection

The following are observations regarding the revenue collection performance of the council

Audit Observation	Comment of the Council	Recommendation
(a) Assessment and Tax		
(i) As at the end of the year under review, there was arrears of assessment and tax of Rs. 19.27 million, of which assessment tax worth Rs. 3.99 million was arrears relating to 6511 units that had defaulted on payment for more than 05 years, but no action had been taken to recover the arrears in accordance with the provisions of	That necessary action would be taken to recover.	A system should be developed expeditiously to recover the revenue without delay and the arrears should be recovered in

Section 158(1) of the Pradeshiya Sabha Act No. 15 of 1987.

accordance with the provisions of the Act.

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| (ii) | The council had not taken steps to revise the assessment, and the assessment tax had been levied for the year under review based on the assessment reports of the council's head office in 2018 and the sub-office in 2016. | Further work related to the assessment revision will be carried out as per the instructions of the Assessment Department. | The property assessment should be carried out on time and the assessment should be levied. |
| (b) | <p>Other Income</p> <p>The stamp duty due from the Chief Secretary of the Provincial Council and other authorities as on 31st December of the year under review was Rs. 715,017 and court fines Rs. 40,421,611.</p> | Since stamp duty and court fines were not received in that year, the account is prepared on an estimated value for the year. | A formal program should be prepared and implemented by the Chief Secretariat and the Land Registry Department to recover the arrears of revenue. |

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
The Council has a JCB vehicle costing Rs. 5.28 million and a tractor worth Rs. 900,000 that has been lying idle for a period of between 01 and 05 years.	According to the report of the Provincial Mechanical Engineer, the machine is due for repair or disposal and the necessary work is being done to repair the vehicle.	Action should be taken to repair and use the vehicles for productive purposes or dispose of them.

3.2 Asset management

Audit Observation	Comments of the Council	Recommendation
Although all the properties owned by the Pradeshiya Sabha should be administered and utilized for the purposes of the Revenue as Act as per Section 17(3) of the Pradeshiya Sabha Act No. 15 of 1987, it was observed that the Thanahintota Utukatu farm land owned by the council has been used for private use by unauthorized occupants.	Work is being done to resolve the issues of undocumented lands and public wells and after the completion of the work, fences will be set up and notice boards will be displayed.	All steps should be taken to protect the assets of the council.

3.3 Human Resource Management

Audit Observation	Comments of the Council	Recommendation
Action had not been taken to regularize 13 surplus posts of the Council, namely 10 surplus Development Officer posts, 1 Technology Service Officer post and 02 driver posts.	That in the future, action will be taken to include those officers in the approved staff report.	A staff review should be conducted and appropriate action should be taken according to the functions and scope of the Council.