Bingiriya Pradeshiya Sabha - 2024
--

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Bingiriya Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Financial Operations, 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, the sub section 172(1) of Pradeshiya Sabha Act No. 15 of 1987. 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 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 regarding 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 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 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 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.

(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 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 Non-Compliance with Generally Accepted Accounting Principles

Audit Observation	Comments of the Council	Recommendation
There were 05 cases assigned by the Sabha and an amount of Rs. 106,670 had been paid from the sabha fund for them. These cases had not been disclosed in the financial statements.	Due to reasons beyond the control, these cases have had to continue unresolved.	Transactions with external parties should be disclosed in the financial statements.

1.6.2 Accounting Deficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	50 plastic chairs with handles purchased for Rs. 147,500 in the year under review had not been capitalized.	That steps will be taken to correct this deficiency in the final accounts of the year 2025.	Steps should be taken to ensure accurate accounting.
(b)	The stock value of Ayurvedic medicines had not been calculated and included in the final stock as of December 31, 2024.	That steps will be taken to correct this deficiency in the final accounts of the year 2025.	Steps should be taken to ensure accurate accounting.
(c)	The value of 04 warehouse stock items worth Rs. 20,300 was not accounted for, the value of 6 stock items was under-accounted for by Rs. 74,251, and the value of 12 stock items was over-accounted for by Rs. 652,991.	That steps will be taken to correct this deficiency in the final accounts of the year 2025.	Steps should be taken to ensure accurate accounting.

1.7 Non- Compliances

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

All observations related to Non-compliance with Laws, Rules, Regulations and Management Decisions are as follows.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Pradeshiya Sabha Finance and Administration Rules, 1988			
	Rule 218	Although an annual survey of land and buildings should have been conducted by an appointed board, this had not been done.	That a survey will be conducted on the assets owned by the Pradeshiya Sabha in the future.	Must act according to the rules.
(b)	Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i)	Financial Regulations 371	Although the reality interim advance should have been settled immediately after the completion of the work, there was an unrecognized advance balance of Rs. 357,656 given before 2013 and Rs. 804,925 that had been outstanding for many years.	That will check and work to correct it.	Financial regulations must be followed.
(ii)	F.R. 571 (2)	Action had not been taken to settle 05 past due deposits worth Rs. 124,136.	That work is being done to settle the overdue deposits.	Financial regulations must be followed.
(c)	Public Administration Circulars			
	Public Administration Circular Letter No. 1/2002 dated 25th February 2022	Annual revenue licenses had not been obtained for 06 sabha vehicles.	That steps will be taken to rectify those shortcomings as soon as possible.	Revenue licenses must be obtained as per the circular.

(d)	Circular No. 04/2018 on Asset Management issued by the Ministry of Finance and Mass Media dated 31st December 2018 and the Asset Valuation Guidelines prepared by the Comptroller General's Department. Section 2nd	Although the value of government non-financial assets should be accurately calculated when reporting them, the revaluation of assets other than the sabha's vehicles had not been carried out.	Preliminary work has begun in this regard and an assessment committee has been appointed.	The guidelines should be followed.
(e)	Local Government Department Circular No. 2010/02 dated 30 July 2010	Although an annual survey of all assets should be conducted and the lands should be measured to ensure that the required amount of assets is available, surveys had been conducted on only 17 lands out of 106 lands owned by the sabha by the end of the year under review.	That steps will be taken to survey all assets held by the sabha in 2025.	All assets must be surveyed and ownership and existence verified.
(f)	The guidelines introduced by the North Western Provincial Water Supply and Environmental Sanitation Unit for community-based organizations 2.2.2. (iv) Paragraph and 9.2 (v) Paragraph	It was observed that copies of the approved annual budget reports of community-based organizations were not submitted to the sabha. The sabha did not participate in the audit of the accounts of community-based organizations, and that community-based organizations were not registered and monitored.	That steps will be taken in the future.	The guidelines should be followed.

2. Financial Review

2.1 Financial Result

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. 22,781,804 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 40,744,083 in the preceding year.

2.2 Financial Control

Audit Observation	Comments of the Council	Recommendation
In the reconciliation of the bank current account held by the sabha, steps had not been taken to resolve the unidentified difference of Rs. 181,846, which had existed for almost 18 years.	This unidentified difference of Rs. 181,846 has been going on for almost 18 years and despite attempts to correct it with the assistance of the investigating officers of the Local Government Department, the information could not be found.	Appropriate action should be taken regarding the unidentified bank balance.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

	Audit Observation	Comments of the Council	Recommendation
(a)	The estimated revenue for the year under review was Rs. 97.5 million, and only a very small percentage of Rs. 09 million or 9 percent of that estimated amount was billed.	This is due to the fact that although the income collected monthly but not specifically billable has been recorded as billing, that information has not been recorded in the relevant table.	Estimates should be prepared accurately.
(b)	The arrears of revenue as of December 31 is obtained by adding the final arrears of revenue of the previous year to the revenue billed for the year under review and deducting the revenue collected. According to the data presented, it is observed that there is a contradictions between these figures.	That the contradictions in the information presented will be corrected and presented.	Correct data must be submitted.
(c)	**Rates and Taxes**		
	Although the valuation should be done by the Valuation Department once every 5 years, the Pradeshiya Sabha is still charging valuations based on the 2018 valuation and due to the failure to conduct the valuation on time, the sabha has lost an incalculable valuation income due to the change in the current condition of the properties.	Although agreements were signed on 29.05.2024 to have the appraisal assessment carried out by the Government valuation Department, the assessment has not been carried out to date.	The assessment tax assessment should be carried out once every 5 years.

(d) **Rent**

As at 31st December 2024, a balance of Rs. 344,091 was due.	The current staff is working to separately identify the uncollectible deficit and write off the arrears related to properties where the lessees have died.	Action should be taken to recover the outstanding balance.

3. Operational Review

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 3of the Pradeshiya Sabha Act are shown below.

3.1 Performing of Functions Enacted by the Act

Audit Observation	Comments of the Council	Recommendation
Under Section 126 of the Pradeshiya Sabha Act, by-laws could be enacted to carry out 30 main matters, but as of December 31, 2024, the sabha had not enacted by-laws for 28 matters.	The sabha is working in accordance with the by-laws adopted as per the needs of the sabha and is currently working on the by-laws for regulating the coir industry, the by-laws for the weekly fair and the by-laws for preventing blockages on roads and avenues within the jurisdiction of the Bingiriya Pradeshiya Sabha.	Steps should be taken to streamline the affairs of the sabha by enacting by-laws.

3.2 Management Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	Due to the fact that the schedules of 05 asset items and one liability item of the sabha were not maintained up to date, there was a difference of Rs. 32,638,324 between the balance as per the financial statements and the balance as per the schedules. The management had not paid attention to resolving those differences.	The non-reconciliation of the balances of the accounting items in the financial statements with the relevant schedules has been going on for many years, and in the 2025 financial statements, all the discrepancies between the accounting items and the schedules pointed out by the audit will be further identified, and steps will be taken to minimize the differences and maintain them correctly going forward.	Discrepancies between accounting items and schedules should be identified and corrected.

(b)	As at 31st December of the year under review, there was a balance of Rs. 12,951,100 in 05 accounts receivable, of which Rs. 12,208,795 was for the period between 1 and 5 years and Rs. 742,305 was for more than 05 years.	Necessary instructions and guidance have been provided to officials to recover the outstanding balance.	Action should be taken to recover arrears of revenue.
(c)	As at 31st December of the year under review, there was a balance of Rs. 74,483,604 in 04 accounts payable, of which Rs. 65,398,868 related to the period between 1 and 5 years and Rs. 9,084,736 related to more than 05 years were still due.	The relevant balances are being checked and action will be taken after checking.	Action should be taken to identify and settle outstanding account balances.
(d)	The Kahatagahayaya land in Wellarawa, measuring 01 acre 01 rood 27.20 perches, had been divided and sold without the approval of the development plan.	The auctioneer had applied for the development of the land on July 6, 2021 with the necessary information, and the Chief Management Services Officer of the Pradeshiya Sabha had taken steps to provide development conditions on July 8, 2021.	Land subdivision activities should be systematically reviewed.

3.3 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	Motor vehicles and carts worth Rs. 3,206,000 were not included in the asset register and the fixed asset register relating to machinery and motor vehicles had not been updated.	Work is underway to include this property in the asset register.	Work is underway to include this property in the asset register.
(b)	Although there were 99 cemeteries owned by the sabha as of December 31, 2024, those cemeteries had not been taken over by the sabha.	The Divisional Secretary has requested the Regional Medical Officer of Health to provide status reports regarding the cemeteries. Once the reports are received, necessary steps will be taken to prepare the deeds in a formal manner.	Cemeteries maintained by the sabha should be formally taken over by the sabha.
(c)	As at 31st December 2024, registration certificates had not been obtained for 06 vehicles owned by the sabha.	It has been impossible to register these vehicles due to the lack of the necessary information for registration.	Registration certificates must be obtained for council-owned vehicles.

3.4 Human Resources Management

	Audit Observation	Comments of the Council	Recommendation
(a)	There were 23 vacancies and 20 surplus positions in the approved staff of the sabha, and no steps had been taken to recruit for the vacancies and revise the approved staff.	Requests have been sent to the Department of Management Services to revise this approved staff.	Steps should be taken to fill vacancies and to get surplus employees approved.
(b)	No action had been taken to recover unidentified employee loana of Rs. 249,853 that had been outstanding for many years.	That unidentified employee loan will be investigated and resolved.	Action should be taken to settle the outstanding loan.

4. Accountability and Good Governance

4.1 Annual Action Plan

	Audit Observation	Comments of the Council	Recommendation
(a)	07 programs planned to be implemented with a total allocation of Rs. 1,650,000 in the year 2024 had not been implemented during the year.	The reason for not receiving the relevant approval was that it was suspended due to government expenditure control.	Projects that have been allocated in the budget and included in the annual action plan must be implemented.
(b)	The physical progress related to 21 items included in the action plan prepared by the sabha for the year 2024 remained at a level of less than 50 percent.	03 expenditure items have been transferred and 02 programs have not been implemented as the Governor's approval has not been received. 06 programs have been granted loans. Although not all the allocated funds have been spent, the remaining 10 programs have been implemented and completed.	Actions should be taken in accordance with the annual action plan.

4.2 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
It was observed that sufficient attention was not paid to the matters specified in Financial Regulations 50 (i), 50 (ii) and 50 (iii) when preparing the annual expenditure estimates, as the irregularity in the utilization of recurrent and capital expenditure was more than 50 percent in 91 expenditure items out of the total 154 expenditure items.	Efforts will be made to prepare expenditure estimates by paying attention to financial regulations.	Expense estimates must be prepared accurately.

4.3 Sustainable Development Goals

Audit Observation	Comments of the Council	Recommendation
Out of 30 projects planned during the year under review to achieve the Sustainable Development Agenda - 2030 goals, 13 projects had not been completed.	That in the future, efforts will be made to achieve sustainable development goals and objectives according to the allocated budget.	Action must be taken to achieve sustainable development goals and targets.