

Beliatta Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Beliatta Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Statement of financial position as at 31 December 2022, Statement of Financial Operations, statement of changes in net Assets, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 accompanying financial statements give a true and fair view of the financial position of the Beliatta Pradeshiya Sabha as at 31 December 2022, 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

My opinion is qualified 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) The agreement had been signed with the Local Loans Development Fund during the year under review, however due to non-fulfillment of the loan conditions of that fund, Rs. 8,136,000 had not been given and it had been accounted as capital income.	It will be corrected by the final statements of the year 2023.	Capital income should be correctly identified and accounted.
(b) The interest income receivable on fixed deposits had been overstated by Rs. 2,529,124 at the end of the year under review.	It will be corrected by the final statements of the year 2023.	Revenues should be recognized and account correctly.
(c) The Court fine income receivable at the end of the year under review had been understated by Rs.1,512,008.	It will be corrected by the final statements of the year 2023.	Revenues should be recognized and account correctly.
(d) The creditor provision of Rs. 1,500,000 had been made for 02 Construction work agreement had been entered at the end of the year 2021 however the activities had not been started in the year under review.	It will be corrected by the final statements of the year 2023.	The creditor provisions should be accounted correctly.
(e) The allocation of debtors for the amount due from the Beliatta Divisional Secretariat in relation to the development work laying interlock in the year 2021 of Mahahilla East Road amounting to Rs. 520,002 had been overstated .	The outstanding debtor balance has been accounted for as it is proposed to develop the Kambussawala Maha Linda road from the remaining provision.	Debtor provisions should be accounted correctly.

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| (f) | The yearend closing stock as at 31 December of the year under review had been understated by Rs. 324,995. | It will be corrected by the final statements of the year 2023. | The stock at year end should be accounted correctly. |
| (g) | The less amount received from the Local Government Department for the payment of salaries for the permanent staff amounting to Rs. 95,060 had not been accounted as a receivable balance in the year under review. | It has been corrected by reimbursement of salary in the month of February 2023 . | Accounts receivable balances should be accurately accounted. |

1.6.2 Non reconciled control account

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs. 12,429,192 in between the balances of 02 accounting items which totaled Rs. 209,105,585 included in the financial statements and the balances shown in the relevant utility registers/schedules.	The action will be taken to correct.	The account should be corrected by reconciling the differences in the relevant balances.

1.6.3 Lack of Documentary evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
Due to non-submission of required information 04 accounting items totaling to Rs. 247,301,244 could not be satisfactorily vouched during the audit.	Schedules with detailed information will be prepared.	Evidence should be submitted confirming the account balances shown in the Financial Statements.

1.7 Non-compliances

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

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below.

Reference to Non – Compliance Laws, Rules, Regulation and Management Decisions	Comment of the Sabha	Recommendation
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(a) The Section 134 (1) of the Pradeshiya Sabha Act No. 15 of 1987	Although the identified developed areas in the Sabha jurisdiction could have been identified in timely and the assessment areas revised, the council had not done.	The action will be taken to identify in the future. The action should be taken according to the Act.

(b) Financial
Regulations of the
Democratic
Socialist Republic
of Sri Lanka

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| i. | Financial
Regulation
104 (4) | The detail report to be prepared regarding the accident that occurred on 29 November 2020 due to a peacock hitting the windshield of a cab, had not been prepared by 31 December 2022. | During the corona epidemic, the calling of officers to service was restricted, so it was not possible to prepare these reports and the Council approved the payments. | The action should be done in accordance with the Financial Regulation |
| ii. | Financial
Regulation
1645 (b), (c)
and 1646 | The daily running charts and monthly summaries of 16 vehicles and machinery owned by the Sabha had not been submitted to the audit within the prescribed periods in the year under review. | The action will be taken to submit to audit in future. | The action should be done in accordance with the Financial Regulation |
| (c) | The Section 3.1
of the Public
Administration
Circular No.
30/2016 dated 29
December 2016 | The fuel consumption test of 11 vehicles owned by the Sabha had not been done even as at 31 December of the year under review and the time period between 03 to 08 years when the fuel combustion test had not been done. | The fuel combustion test of 02 vehicles has been completed. | The action should be done in accordance with the Circular
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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 amounted to Rs. 3,077,515 as compared with excess of revenue over recurrent expenditure amounted to Rs. 7,480,572 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 presented by the chairman, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are given below.

Source of Revenue	2022				2021			
	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
Rates and Taxes	4,027,000	4,288,942	3,406,640	2,641,115	2,772,100	2,457,205	1,976,290	1,752,112
Rent	7,139,280	5,679,724	5,652,114	2,019,727	11,240,500	4,371,907	6,694,800	4,055,769
License Fees	285,000	178,500	178,500	-	1,458,200	291,040	289,990	4,450
Other Income	11,358,450	14,290,347	14,330,077	5,467,108	975,000	522,500	838,397	784,114
Total	22,809,730	24,437,513	23,567,331	10,127,950	16,445,800	7,642,652	9,799,477	6,596,445

2.2.2 Performance in Revenue Collection

Following observations were made regarding the Performance of Collection of revenue of the Sabha.

Audit Observation	Comment of the Council	Recommendation
(a) The action had not been taken to recover the assessment tax receivable was Rs. 2,460,825 as at 31 December of the year under review.	The action will be taken to go to the field and awareness the people and collect the arrears of income.	The arrears of income should be collected.
(b) The business and industry tax receivable from 88 business units amounting to Rs. 148,250 and acreage tax amounting to Rs. 31,040 had not been recovered as at 31 December of the year under review.	To cut off the Business and Industry Tax Rs. 45,050, to get legal action to recover the balance and the remaining and acreage tax arrears will be collected in future.	The arrears of income should be collected as soon as possible.
(c) The stall rent receivable from 34 shop rooms owned by the Sabha amounting to Rs. 1,783,497 had not been recovered as at 31 December of the year under review.	The action will be taken to recover the arrears.	The arrears of income should be recover as soon as possible.
(d) In respect of 15 shop rooms key money amounting to Rs. 3,837,500 had not been recovered according to the Circular of the Commissioner of Local Government (South) bearing No. SLG/CLG/2010/01 dated 27 December 2010	The current lessees have been informed on 17 January 2023, to pay the key money and will be recovered in the future.	The action should be taken according to the Circular.

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| (e) | The receivable trade right lease rent amounting to Rs. 236,230 had not been recovered at the end of the year under review. | The action will be taken to collect the arrears in future. | The arrears of income should be collected as soon as possible. |
| (f) | According to the agreement signed by the Sabha with the lessees of Beliatta New Shopping Complex, the interim lease cannot be done, however during on-site inspection conducted on 25 November 2022, 08 shop rooms owned by the Sabha were on interim lease. | A survey was conducted on these 08 shops, and it was reported that the shops are being run by the lessees without giving interim leases. | The action should be taken according to the Agreement. |
| (g) | The receivable machinery and equipment rent owned by the Sabha amounting to Rs. 1,239,239 had not been recovered as at 31 December of the year under review. | Rs. 1,096,289 is an arrears amount that has been coming for many years, and that it is not possible to find the details related to it. | The arrears of income should be collected as soon as possible. |
| (h) | The advertising board fees receivable from 03 institutions amounting to Rs. 155,000 had not been recovered as at 31 December of the year under review. | The action will be taken to collect the arrears | The arrears of income should be collected as soon as possible. |
| (i) | Out of the 03 shops leased in the previous and the year under review, receivables of Rs. 503,000 key money had not been recovered during the year under review. | It was inform to recover the receivable key money related to shops room No. 02 and 03 in Beliaththa New shopping complex and to receivable from a leased shop in the year 2022 amounting to Rs. 65,000. | The arrears of key money should be collected as soon as possible |
| (j) | The Stamp fees to be received by the Chief Secretary of the Provincial Council amounted to Rs. . 3,824,705 as at 31 December of the year under review. | The arrears of stamp duty will be collected. | The action should be taken to collect the arrears. |

3. Operational Review

3.1 Performance of functions assigned by the Act

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 Council under Section 3 of the Pradeshiya Sabha Act are shown below.

Audit Observation	Comment of the Sabha	Recommendation
(a) Rs. 71,032 had been paid to prevent water leakage at the water storage tank in Mahahilla community Centre, under the water storage tank construction work, however the work had not been done.	In order to accomplish this task, instructions were given to the society, and once it is done, the retention will be released.	The task should be done and the project should be successful.
(b) Under Beliatta Mahahilla Katuibulghadenia public well construction work, for the application of concrete cover for the upper part of the well, Rs. 73,631 had been paid for 12.2 square meters, however the constructed area was only 8.2 square meters. Although more than two years have passed since the construction of this well, the well has been left without any use, the expenditure amounting to Rs. 775,000 incurred had been fruitless.	After receiving the allocation, the remaining works will be completed and the well will be put in to use.	Expenses should be incurred so that the desired objectives can be achieved.

3.2 Un-economic Transactions.

Audit Observation	Comment of the Sabha	Recommendation
From the year 2014 to the year under review, the cleaning service of the Sabha premises is provided by a private company, and the total expenditure incurred from the year 2019 to the year under review was Rs. 2,667,365. The excess of field workers and health workers in the current working carder of the Sabha was 8 and 12 respectively and while the task of cleaning the council premises could have been accomplished using those redundant workers, the total expenditure incurred on providing that service from an external institute was uneconomical.	The workers cannot be deployed to clean the office premises as excess health workers are constantly on leave.	Sabha employees should be managed to deploy them for the work of the Sabha.

3.3 Identified Losses

Audit Observation	Comment of the Sabha	Recommendation
Beliatta Fishery Building belonging to the Sabha has been assessed by the Valuation Department as a monthly rent of Rs. 9,000 while the monthly rent is Rs. 5,000 as the Sabha has been decided to be collected from January 2021, the loss to the council fund as at 31 December of the year under review due to non-payment of assessed rent was Rs. 96,000.	The new assessment will be levied from January 2023.	Assessed rent should be charged.

3.4 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
The receivable amounting to Rs.519,632 from three persons prosecuted by the Sabha in previous years, had not been recovered by the end of the year under review.	The information has been requested from the court and will be submitted once received.	Actions should be taken to recover the receivable amount.

3.5 Assets Management.

Audit Observation	Comment of the Sabha	Recommendation
(a) 03 vehicles which were parked in the open ground which were removed from running by the Sabha were not repaired and put to use or disposed even up to the year under review.	A cab was repaired from disposed vehicles and the remaining 02 vehicles will be disposed after obtain assessment reports.	Vehicles should be repaired and use or dispose.
(b) The legal ownership of 09 vehicles, 10 land and buildings, 07 community halls and 03 cemeteries owned by the Sabha had not been transferred to the council by the end of the year under review.	Requests had been made to the Divisional Secretary to hand over the ownership of the remaining 08 vehicles and the ownership of the land and buildings except the contracted tractor.	Legal ownership of assets should be taken over.
(c) 02 motors, a 1000 liter water tank and the interlocking block making machine belonging to the Pradesheeya Sabha interlocking block production plant and the coir mill industry remained idle for many years.	Although the two motors were auctioned, no one came forward for them, while the remaining machine was kept for the needs of the Sabha.	The action should be taken to use assets fruitfully.

3.6 Procurement Management

Audit Observation	Comment of the Sabha	Recommendation
Non-compliance with Section 5.6.1 of the Government Procurement Guidelines 2006 05 types of goods at a total value of Rs. 1,792,185 had been purchased.	The action should be taken in accordance with the procurement guidelines	The action should be taken according to the Government Procurement Guidelines.

3.7 Deficiencies in contract administration

Audit Observation	Comment of the Sabha	Recommendation
(a) Beliatta Kotia Godella Public Stadium development project has been implemented and Rs. 3,424,834 had been paid.		
i. Rs.158,776 had been overpaid for cutting and piling the playground soil and Rs.41,174 for cutting the foundation to prepare the base for the construction of the side wall.	The 03 piles of soil were not included in the measurement sheet because they were not measured and because 50 m ³ of soil was removed more than the amount mentioned in the payment report, There is no overpayment was made.	The overpayment should be recovered from the responsible officials.
ii. For the use of shape work to construct the side wall with a smooth finish and Rs. 285,048 had been paid however the side wall which had been constructed was finished with a rough finish.	The front aspect of the sidewall is softly finished, with only its expansion joints remaining unsmoothed.	The total amount should be paid only for the works completed as mentioned in the estimate.
(b) Development of Kahawatta Jinadasa Mawatha - Phase II for the implementation of the contract Rs. 1,947,934 had been paid,		
i. Supply of 37.5 mm size stones (ABC) for the road and using wrong prices for crushing and compaction work, Rs. 156,860 had been overpaid.	ABC is applied in sections rather than applying ABC at the same time on the road plane.	The overpayment should be recovered from the responsible officials.
ii. Showing that more than the required amount of carpet was applied for the road, Rs. 264,316 had been overpaid.	The length of the road was 09 meters more and the carpeting was done with a thickness of more than 50 mm.	The overpayment should be recovered from the responsible officials.
iii. Although the amount of 37.5 mm size (ABC) stone used for the road should be compacted, it should be hundred or more, however according to the quality inspection report, the compacted amount is 98 percent, for the supply and transportation of stone, Rs. 220,325 had been over paid.	The percentage of stone compaction is 98 percent and no damages have occurred.	The stones should be compacted to the required percentage.

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| (c) | Under the industry of modernization of Kahawatta Savsiripura community hall with mesh covers, for the preparation of mesh covers and iron doors in the community hall building, Rs. 429,807 had been paid, however the mesh covers and doors were rusted due to lack of proper application of stainless paint and enamel paint. | The contract society was informed to correct the deficiencies. | Work should be completed as per estimate before payment is made. |
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3.8 Human Resource Management

Audit Observation

66 excess employees of pertaining to 13 posts in the Council's approved and actual cadre had not been regularized by the end of the year under review.

Comment of the Sabha

45 employees receiving daily wages and employees recruited by circular 25/2014 were in the actual number of employees.

Recommendation

The excess should be formalized.