

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Bibile 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 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 Bibile 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**

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 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 includes 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, 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 of the Sabha	Recommendation
(a) Sathosa shop rental income of Rs.150,000 received as direct remittances during the month of December of the year under review was not recognized and accounted for.	This will be corrected in the year 2023.	All revenues should be recognized and included in the financial statements.
(b) In the statement of financial position as on December 31 of the year under review, the amount due to the Local Credit and Development Fund was understated by Rs.204,515 in current liabilities and the amount due to the Local Credit and Development Fund by Rs.309,322 in non-current liabilities.	This mistake has been made in allocating the total amount payable to the Local Credit Development Fund into current and non-current and will be further checked and corrected in the year 2023.	Financial statements should be prepared correctly
(c) The value of 04 industries worth Rs.1,769,454, of which work had been completed on December 31, 2022, had not been capitalized.	This industry value will be capitalized when the account is prepared in the year 2023.	Accurate values should be included in the financial statements.
(d) The outstanding balance of stamp duty as on 31st December of the year under review was Rs.8,347,185 but it was shown as Rs.5,937,780 in the statement of financial position. Also, in the year under review the stamp duty revenue had been understated by Rs.2,318,488.	This mistake will be corrected when the account is prepared in the year 2023	Accurate values should be included in the financial statements.
(e) There was no provision for audit fees in the financial statements prepared for the year under review.	That will be corrected when the account is prepared in the year 2023	Allocations should be done correctly in preparing financial statements.

### 1.6.2 Unreconciled Accounts

Audit Observation	Comments of the Sabha	Recommendation
(a) According to the fixed assets register maintained by the Pradeshiya Sabha, the value of 02 buildings was Rs.49,063,001 but in the statement of financial position it was stated as Rs.49,307,573.	This mistake will be corrected when the account is prepared in the year 2023	Accurate values should be included in the financial statements.

- (b) A difference of Rs.1,043,000 was observed between the value of 03 vehicles as per the fixed asset register maintained by the Sabha, and the value shown for those vehicles in the financial statements. It will be corrected when the account is prepared in the year 2023. Accurate values should be included in the financial statements.

### 1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to non-submission of the fixed asset registries and the register including intangible assets in respect of 03 asset subjects with a total value of Rs.81,330,258, the accuracy of their values could not be satisfactorily verified during the audit.	Related documents will be prepared and submitted in the future.	Assets held by the Sabha should be properly documented and the records should be maintained up-to-date.

## 1.7 Non- Compliances

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

Non-compliance with Laws, Rules, Regulations and Management Decisions etc. are as follows.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation	
(a) Local Sabha s Act No. 15 of 1987	Section 154(1) (ii)	Although the Pradeshiya Sabha is supposed to collect 1 percent of the money received from the sale of an auctioned land within the Pradeshiya Sabha area, the relevant tax was not collected from 190 auctioned lands in the Bibila Pradeshiya Sabha area.	The relevant property company has been informed to pay the 1 percent tax due to the Pradeshiya Sabha	Land auctioned within the Pradeshiya Sabha area should be complied with the Pradeshiya Sabha Act.

(b) Financial regulation of Democratic Socialist Republic of Sri Lanka F.R. 572

Public deposit balances of Rs.596,783 over 02 years had not been regulated.

Action will be taken to send reminder letters to the depositors to release the money, regarding the deposit money that is in the deposit registries for more than 02 years, and the money of the non-present depositors will be taken into the income of Sabha

Financial regulations should be followed in respect of deposit balances exceeds 02 years.

## 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 2022 amounted to Rs. 18,142,593 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 34,675,307 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 relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Source of Revenue	<u>2022</u>				<u>2021</u>			
	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.
(i) Rates and Taxes	12,785,798	9,668,114	2,441,188	7,226,926	9,261,367	8,218,569	2,037,712	6,180,857
(ii) Rent	24,130,946	23,375,625	16,898,884	6,476,740	24,319,881	20,295,167	13,769,660	6,525,506
(iii) License Fees	2,040,400	1,737,350	1,457,900	279,450	2,350,700	1,259,080	1,141,030	118,050
(iv) Other revenue	3,392,500	25,434,313	13,563,160	11,871,153	13,417,500	35,227,751	28,284,837	6,942,914
<b>Total</b>	<b>42,349,644</b>	<b>60,215,402</b>	<b>34,361,132</b>	<b>25,854,269</b>	<b>49,349,448</b>	<b>65,000,567</b>	<b>45,233,239</b>	<b>19,767,327</b>

## 2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Sabha are given below.

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) Out of the total billed revenue of Rs.60,215,402 in the year under review, Rs.25,854,269 remained uncollected at the end of the year which was 42 percent of the total billed revenue.	Due to the Covid pandemic in the years 2021/2022, it was difficult to go to the field to collect money and the bad economic situation in the country has affected this.	Actions should be taken to recover the billed income.
(b) Assessment tax due before the year 2014 till 31st December of the year under review of Rs. 6,035,662 was still to be collected.	Arrears letters were sent informing the assessee to recover the amount. In order to recover the remaining arrears, mobile services and property ban program was also carried out.	Arrangements should be made to recover the arrears due to the Sabha .
(c) From the year 2007 till December 31 of the year under review, tax income of Rs.4,191,080 had not been collected for the lease of 14 properties owned by the Sabha .	Relevant steps are being taken to recover the arrears	Arrangements should be made to recover the arrears due to the Sabha .
(d) In respect of 178 shops belonging to the Sabha , Rs.2,311,948 due from the year 2016 had not been collected even as on December 31 of the year under review..	That the necessary arrangements are being made to promptly collect the arrears of rental income due by now.	Arrangements should be made to recover the arrears due to the Sabha .
(e) Outstanding water charges of Rs.1,163,228 due as on 31 December of the year under review from 724 water consumers of the water project belonging to the local Sabha had not been recovered.	All water consumers have been informed by letters to pay the arrears of water in the year 2022 and relevant actions are being carried out to disconnect the water connections of the water consumers who have not paid the arrears.	Arrangements should be made to recover the arrears due to the Sabha .
(f) An amount of Rs.279,450 due from the year 2020 to 31st December of the year under review from 13 fixed Advertising boards displayed by various institutions/individuals in the Sabha area had not been recovered.	Actions are being taken to recover outstanding fixed billboard fees.	The revenue inspectors should carry out the survey and identify the Advertising boards and collect the fees.

- (g) Court fines amounting to Rs.784,647, and stamp duty of Rs.8,347,185, which should have been received from the Chief Secretary of the Provincial Council and other authorities as at December 31 of the year under review, had not been collected. It is informed that a part of the outstanding amount has been received and the rest of the outstanding amount is being collected. Arrangements should be made to collect the arrears due to the Sabha .

### 3. Operational Review

#### 3.1 Uneconomic Transactions

Audit Observation	Comments of the Sabha	Recommendation
A payment of Rs.128,887 was made on April 26, 2022 for newspaper advertisements to invite bids for the construction of a day care centre and an Ayurvedic and public utility service centre through the funds of the Pradeshiya Sabha , but the procurement activities had not been completed and the construction had not started.	The project will be implemented once the necessary provisions are made	Prior to publication of the procurement notices, provision should be made and preliminary procurement activities should be done.

#### 3.2 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
The Sabha had last assessed the assessment tax in the year 2009 and the assessments were not done on time.	That the work required for the assessment work is currently being implemented.	Assessment should be made in time.

#### 3.3 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
(a) According to the approved staff there was a shortage of 12 employees in relation to 07 posts in the Sabha as on December 31 of the year under review and the vacancies had not been filled.	According to the staff report, a report containing the vacancies in the approved staff report will be given to the Assistant Commissioner of Local Government and the Commissioner of Local Government at the beginning of every month.	Arrangements should be made to fill the staff vacancies.
(b) At the beginning of the year under review, 03 officers had been given distress loans amounting to Rs.69,450 and during the year 05 officers had been granted Rs.134,215 exceeding the maximum limit.	From now on disaster loans will be issued subject to the limit of Rs.250,000 steps will be taken to recover the amount of disaster loans that have already been paid beyond the limit of Rs.250,000 in several instalments.	The maximum credit limit should not be exceeded while giving loan to an officer.

#### **4. Accountability and Good Governance**

##### **4.1 Budgetary Control**

###### **Audit Observation**

As there are significant variations between the estimated income and the actual income of the year from 3 percent to 146 percent, and between the estimated expenditure and the actual expenditure of the year from 6 percent to 72 percent in the budget prepared for the year by the Pradeshiya Sabha; the budget was not used as an effective control instrument in controlling the income and expenditure.

###### **Comments of the Sabha**

Such a situation arose due to the Covid epidemic situation in the country and the adverse political situation in the country. In the year 2023, the budget will be used to minimize the variations.

###### **Recommendation**

A proper budget should be prepared and the goals specified in it should be met.