

Bopepoddala Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Bopepoddala Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of financial position as at 31 December 2023, 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 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 Bopepoddala Pradeshiya Sabha as at 31 December 2023, 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.

- 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.
- 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 Council	Recommendation
The amount of Rs.58,353 due as no pay leave was not accounted as receivable.	Will be corrected.	Should be accounted correctly.

1.7 Non-compliances

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

Reference to Laws, Rules, Regulation and Management Decisions	Non – Compliance	Comment of the Council	Recommendation
(a) The Pradeshiya Sabha Act No. 15 of 1987 Sections 23 and 24	A road inventory book containing details of 159,259 cubic meters (493 roads) of roads was not updated after 2012.	The action is being taken to update.	Documents should be updated
(b) The Financial Regulations of the Democratic Socialist Republic of Sri Lanka			

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| (i) | the Finance Regulations 316 and Rule 19 of the Pradeshiya Sabha (Finance and Administration) Rules 1988 | Items of financial value were to be in the custody of the secretary, however with the custody the cashier of the Sabha kept the safe and its keys. | The things of financial value are deposited in the safe and the keys are kept in the custody of the secretary. | Items of financial value should be kept in the custody of the Secretary |
| (ii) | The Financial Regulations 371 | Since the year 1999, the sum of Rs.18,400 advances given on 04 occasions had not been settled by the end of the year under review. | Unable to find details. | Advances should be settled as per the Financial Regulations. |

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 2023 amounted to Rs.69,426,137 as compared with the excess of revenue over recurrent expenditure amounting to Rs.69,748,149 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Source of Revenue	2023				2022			
	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	24,110,000	17,437,155	12,140,000	82,094,329	18,430,000	20,802,543	12,490,892	76,797,174
Rent	5,080,000	5,155,370	5,566,755	2,639,429	4,441,500	3,276,096	4,966,449	3,050,814
License Fees	961,000	1,277,896	1,190,466	900,080	1,260,150	1,050,304	847,514	812,650
Other Income	147,104,000	18,164,008	16,562,814	1,689,984	148,458,860	8,607,225	8,700,685	88,790
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	177,255,000	42,034,429	35,460,035	87,323,822	172,590,510	33,736,168	27,005,540	80,749,428
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2.2.2 Performance in Revenue Collection

Audit Observation	Comment of the Council	Recommendation
(a) The opening deficit of the reviewed year was Rs.80,749,428, and the deficit at the end of the reviewed year was Rs.87,323,822, making the percentage of revenue collection 29 percent.	The arrears of revenue will be collected quickly in the future.	The arrears of income should be recovered as soon as possible.
(b) The outstanding assessment and tax income as at 01 January of the year under review was Rs.76,797,174, and the outstanding balance at the end of the year was Rs.82,094,324, so the percentage of revenue collection was as low as 13 percent.	Issuance of red notices, has been resumed.	Assessment tax income should be collected as soon as possible.
(c) There were 18,221 properties that had not paid any assessment tax for the year 2023, and the council had not taken action to recover the outstanding assessment tax of Rs.9,281,060.	The assessment tax has not been adequately collected.	The action should be taken to recover arrears of income as soon as possible.
(d) 13,300 and 9,652 assessable properties in the area of authority belonging to the head office and sub-office of the Sabha, respectively, were not assessed after the year 2017.	The requests have been continuously made in writing and verbally since the year 2020.	Income should be collected on the current assessed value.
(e) The total arrears of rental income as at 01 January of the year under review was Rs.3,050,814, and at the end of the year, there was an outstanding balance of Rs.2,639,429. There was a balance of Rs.2,256,994 which was more than 03 years old.	The amount will be recovered in the future.	Action should be made to minimize the arrears of rent.
(f) A license fee of Rs.498,600 had not been collected for 74 hoardings displayed in the Sabha's area.	The charges will be collected in the future.	Arrangements should be made to charge the relevant fees
(g) The Sabha had not taken action to recover the outstanding balance of Rs.183,560 due from 129 institutions that had to pay taxes and license fees.	The actions have been taken to go to the field and started collecting the money.	The relevant fees should be collected as per schedule.

(h)	There was a balance of Rs.637,320 more than 03 years old in the outstanding trade license balance.	Further, the action will be taken to recover.	Arrears license fee income, should be recovered.
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3. Operational Review

3.1 Solid waste Management

Audit Observation	Comment of the Council	Recommendation
There were 525 business places in the Sabha's area and only 29 business places that submitted applications had collected garbage.	The garbage will be accepted only from business establishments that do not have enough space.	A survey should be conducted and the entities to be charged garbage charges should be identified.

3.2 Management Inefficiencies

Audit Observation	Comment of the Council	Recommendation
The GPS system was not installed for 04 vehicles which had incurred a fuel cost of Rs.2,549,201 in the year 2023.	The GPS system is not used for cabs, three-wheelers and backhoes.	GPS system should be installed for every vehicle of the Sabha.

3.3 Human Resource Management

Audit Observation	Comment of the Council	Recommendation
An amount of Rs.352,750 has not been collected from 19 employees who were transferred, died and were suspended after serving in the Sabha since 2013.	That has been forwarded for further action.	Loan balances should be recovered