

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Bibila Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and 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 provisions 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 financial statements give a true and fair view of the financial position of the Bibila 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

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
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(a) The value of 02 industries of which work was completed during the year under review valued at Rs.34,824,386 was capitalized as Rs.19,052,937 under land and buildings and understated by Rs.15,771,449 and the value of 03 industries which was Rs.3,923,564 had not been capitalized.	It will be corrected in the preparation of accounts for the year 2024.	Correct values should be included in the financial statements.

(b) Rs.110,394 had been overstated, as fixed deposit interest receivable relating to the year under review,	The opening balances will be corrected when the accounts are prepared in the year 2024.	Financial statements should be prepared correctly.
(c) Industry creditors balance as on 31st December of the year under review had been overstated by Rs.1,299,828 in the statement of financial position.	It will be corrected in the preparation of accounts for the year 2024.	Correct balances should be entered in the financial statements.
(d) Direct remittances of Rs.127,829 received in December of the year under review were not recognized as income of the year under review and debited to the Accumulated Fund.	It will be corrected in the preparation of accounts for the year 2024.	Financial statements should be prepared correctly.
(e) Out of the industrial credit balance of Rs.44,962,842 at the beginning of the year under review, Rs.37,761,419 had been written off to the accumulated fund without recognition.	The industry creditor balance will be corrected when the accounts are prepared in the year 2024.	Without verifying the existence of the creditor, write-off of the outstanding loan balance should not be done.
(f) The value of stamp duty receivable for the months of October, November and December of the year under review was not assessed and accounted for.	It will be corrected in the preparation of accounts for the year 2024.	All incomes of the Sabha should be identified and accounted for.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation

The total value of Rs. 683,450,303 in respect of 05 asset subjects and one liability subject could not be satisfactorily examined in the Audit; due to non-submission of title deeds, professional valuation reports, updated industrial creditor and debtor documents, schedules and other outstanding revenue documents.

Comments of the Sabha

The officers in charge have been informed to update the relevant documents.

Recommendation

Evidence that confirm the account balances shown in the financial statements should be submitted.

1.7 Non- Compliances

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) Pradeshiya Sabha Act No. 15 of 1987			
(i) Section 19 (XII)	Four (04) stall were leased for a period of 15 years from 2015 to 2030 without the approval of the minister in charge.	In the future, it will be arranged to enter into an agreement with the lessees for a period of 03 years.	In relation to long-term lease, the approval of the minister in charge should be obtained.
(ii) Section 24(1) (a)	Out of the 481 roads included in the road inventory, 454 roads were not gazetted.	That, a survey of roads is being carried out by using GPS technology and all the roads will be gazetted after the survey.	Road inventory should be updated and gazetted.
(iii) Section 154(1)	When selling land within the Pradeshiya Sabha area, one percent of the sale amount should be paid to the Pradeshiya Sabha, but the one percent amount related to 147 plots of land sold was not collected by the Sabha.	Taxes are not paid all at once and taxes are paid according to how the land plots are sold.	According to the Pradeshiya Sabha act, the relevant tax should be collected.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka FR 571	Regarding the deposit balance of Rs.943,538 which had been elapsed 02 years no action had been taken in accordance with financial regulation	The depositors have been informed in writing and the balances of non-presenting depositors will be taken into revenue.	Financial regulation should be followed

(c) Section 83(1) of the Urban Development Authority Act No. 41 of 1978.	Out of 378 building plans approved from 2016 to 2020, 258 plans were not inspected and compliance certificates were not issued.	Since only one technical officer of the local council is performing the duties, it is difficult to carry out these activities along with the other duties assigned to him and that these activities will be formalized in the future.	The Sabha should regulate the construction carried out in the area of authority.
(d) Section 01 and 02 of the Extra ordinary Gazette notification of the Democratic Socialist Republic of Sri Lanka No. 2010/23 dated 16 March 2017	The project reports related to the 18 tube wells constructed by the Sabha in the years 2021 and 2022 had not been submitted to the supervision of the Water Resources Board and had not obtained the written permission of the Water Resources Board before carrying out the construction.	The relevant officials have been informed to carry out the related activities under the recommendations and terms of the Water Resources Board.	Action should be taken as mentioned in the gazette,

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 of the current year amounted to Rs. 5,091,889 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 18,142,593 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 Secretary of the Sabha 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	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.
(i) Rates and Taxes	14,007,866	10,916,460	7,759,257	3,157,203	12,785,798	9,668,114	2,441,188	7,226,926
(ii) Rent	24,900,320	22,922,350	21,768,427	1,153,923	24,130,946	23,375,625	16,898,884	6,476,740
(iii) License Fees	3,793,300	1,589,875	1,589,875	-	2,040,400	1,737,350	1,457,900	279,450
(iv) Other revenue	11,696,500	17,153,538	6,827,752	10,325,786	3,392,500	25,434,313	13,563,160	11,871,153
Total	54,397,986	52,582,223	37,945,311	14,636,912	42,349,644	60,215,402	34,361,132	25,854,269

2.2.2 Performance in Revenue Collection

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

Audit Observation

Comments of the Sabha

Recommendation

Rates and Taxes

(a) Out of the assessment tax revenue of Rs.3,188,748 billed in the year under review, Rs.1,664,969 or 52 percent had not been recovered as on 31 December 2023.

Arrears will be recovered immediately

Action should be taken to collect the billed revenue.

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| (b) Out of the outstanding assessment tax revenue of Rs.6,027,300 at the beginning of the year under review, Rs.4,713,880 or 78 percent had not been recovered by the end of the year under review. | Arrears will be recovered immediately | Arrears of assessment should be collected promptly. |
| (c) Tax income of Rs.4,164,795 from the year 2007 to December 31 of the reviewed year for the lease of 14 properties was not collected. | The lawsuits have been filed to recover the arrears in the years 2007 and 2019 and the letters have been forwarded to the Governor for approval to provide tax relief due to Covid . | Arrears in revenue should be collected promptly. |

Rent

The outstanding shop rent due from the year 2016 from 138 shops, of Rs.1,210,767 had not been collected as on December 31 of the year under review.

Due to inability to recover Rs.1,117,267 due to the situation of covid epidemic, it has been sent to the approval of the Chief Minister for deduction and a case has been filed for recovery of the remaining arrears of rent.

Arrears in revenue should be collected promptly.

Other Revenue

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| (a) Outstanding water charges of Rs. 1,554,849 due from 499 water consumers of the water project from 2020 to December 31 of the reviewed year were not collected. | The arrears of water charges will be recovered promptly. | Arrears should be recovered promptly. |
| (b) An amount of Rs. 191,250 to be collected from 11 fixed advertising billboards that were displayed in the Sabha area from the year 2020 to December 31 of the year under review, were not collected. | The Revenue Inspector has been informed to recover the arrears and that the relevant business entities have been informed in writing. | Arrangements should be made to collect fees at the relevant times. |
| (c) Court fines of Rs.71,898 and stamp duty of Rs.12,001,830 due on December 31 of the year under review had not been collected. | Action will be taken to recover these balances promptly. | Arrears should be collected promptly. |

3. Operational Review

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

Audit Observation	Comments of the Management	Recommendation
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(a) No water sample testing was conducted on whether the water of 18 tube wells constructed by the Sabha in 2021 and 2022 is suitable for drinking.	The officials in charge of the subject were informed to conduct a water sample test in the future.	A quality test of drinking water should be carried out.
(b) The Nayakandura water treatment project was completed in 2017 at a cost of Rs.35,380,858, and it was observed that after June 2018, water is being supplied to consumers without treatment. Also, in Nayakandura and Rathu Pasketiya water projects, water was distributed to the people without testing the water samples.	The water treatment will be conducted within the next few months and work will be done to provide clean water.	A quality test of drinking water should be carried out.
(c) No survey was conducted regarding the institutions that should obtain environmental protection licenses for the year 2023.	While an overall survey was not conducted, from the survey conducted 12 industries were identified that need to be newly licensed.	Industries in the area of authority should be regulated.
(d) Due to non-renewal of 09 licenses of which validity period of environmental protection licenses had expired and non-provision of licenses for 12 industries identified in relation to the year under review, an income of Rs.84,000 was lost to the Sabha fund.	That the Revenue Inspector has been informed to arrange for the issuing of environmental license in the year 2024.	Industries operating in Sabha area should be regulated.

3.2 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>-----</p> <p>(a) According to the stamp duty schedule sent from the Monaragala Land Registrar's office, out of the amount of Rs.3,176,600 due for the months of November and December 2022, Rs.2,146,222 had been received and the remaining amount had been written off to the accumulated fund without recovery.</p>	<p>-----</p> <p>The inquiries will be made regarding the amount of Rs.1,030,378 due and the said amount will be recovered.</p>	<p>-----</p> <p>The revenues of the Sabha should be recovered.</p>
<p>(b) Although it was identified that 14 items belonging to 11 categories including Sledge hammers, Pipes, Hoes and Forks belonging to the Pradeshiya Sabha had been lost in the board of survey conducted in the year 2022, but by the end of the year under review, the relevant parties had not been identified and action taken against them.</p>	<p>Part of these goods has been stolen by thieves and the subject officer has been informed to recover the respective values from the responsible parties for the rest of the goods.</p>	<p>The loss should be recovered from the responsible parties.</p>
<p>(c) In the absence of any vacancy, a retired technical officer was employed without approval and allowances of Rs.89,600 were paid for the two months of January and February of the year under review.</p>	<p>The concerned officer has been informed in writing to repay this allowance, and a letter has been sent requesting advice from the Commissioner of Local Government.</p>	<p>Payment of allowances should be made under formal approval.</p>

3.3 Operational Inefficiencies

Audit Observation

In the lease agreements related to 84 shops owned by the Pradeshiya Sabha, the contract's expiration date was not specified among them, 23 shops were leased and a period of 20 years had passed.

Comments of the Management

Since the tax period has not been included in the old agreements, it has not been possible to sign the agreement due to the lessees not agreeing to include the tax period in the new lease agreements.

Recommendation

Lease agreements should be properly maintained.

3.4 Assets Management

Audit Observation

(a) 04 tube wells constructed by the Sabha in the years 2021 and 2022 remained idle without being utilized.

(b) The water bowser owned by the Pradeshiya Sabha since August 2020 and the hand tractor trailer since 2008, had been out of use.

(c) Legal ownership of 03 vehicles used was not taken over to the Sabha

(d) The value of the computer received as donation in the year under review was not recognized and accounted for.

(e) The value of the Udu Bubula rest house building and 46 cemeteries owned by the Pradeshiya Sabha was not assessed and accounted for.

Comments of the Management

The persons who applied for the construction of tube wells have been called upon and instructed to utilize the respective tube wells.

These vehicles will be promptly repaired and used for income generation.

The necessary arrangements are being made to take over the legal ownership of these vehicles to the Sabha.

The opening balances will be corrected when the accounts are prepared in the year 2024.

The value of these assets is accounted for after valuation.

Recommendation

Follow-up should be carried on the projects that are done using public funds.

The repairs to be done on the vehicles should be done within the relevant periods.

Legal ownership of Sabha owned vehicles should be taken over.

The cost of all assets received by the Sabha should be identified and accounted for.

The value of all assets owned by the Sabha should be recognized and accounted for.

3.5 Procurement Management

Audit Observation	Comments of the Management	Recommendation
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<p>In the year 2021, 06 tube wells were constructed at a cost of Rs.1,445,400 out of the procurement process, and in the year 2022, prices had been called for the construction of 18 tube wells without preparing estimates.</p>	<p>It is difficult to prepare estimates before drilling because the drilling is accomplished until the water is found in the construction of tube wells.</p>	<p>Before the construction, the relevant guidelines should be followed.</p>

3.6 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
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<p>(a) As on December 31 of the year under review, there was a vacancy of 13 employees and a surplus of 10 employees in 07 posts in the Sabha.</p>	<p>That the Local Government Department has been informed in writing regarding staff vacancies and excess.</p>	<p>Staff vacancies should be filled and surplus staff approved.</p>
<p>(b) Employee loans of Rs.201,543 given to 03 employees From the year 2018 to December 31 of the year under review, had not been recovered even by February 2024.</p>	<p>The outstanding loan balances that are still due will be recovered promptly.</p>	<p>Employee loan balances should be recovered promptly.</p>

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

In comparison with the actual income and expenditure of the year with the estimated income and expenditure as per the budget prepared by the local council for the year under review, there were variations from 02 percent to 58 percent in 08 income subjects and 1 percent to 412 percent in 07 expenditure subjects. Thus, the budget was not used as an effective control tool.

Comments of the Management

The steps will be taken to properly prepare the budget in the future.

Recommendation

Annual budget estimates should be prepared more realistically, and action should be taken to achieve those targets.

4.2 Environmental issues

(a) It was observed that the sewerage removed by the Sabha in the gully service is dumped into an open drain on the site of the Puwakpalaya waste yard, which collect into the small stream bordering the said land, which carry it to Maduruoya.

That, the project report related to preparing a sewerage disposal system was submitted to the Commissioner of Local Government.

Sewerage should be disposed of properly.

(b) The Sabha had not obtained an environmental protection license from the Central Environment Authority for the disposal of gullies, and the Sabha did not have a method of properly disposing of sewerage.

Action will be taken to get the environmental protection license, in the future.

Sewerage should be disposed of properly and relevant environmental protection permits should be obtained.