Baddegama Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Baddegama Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Statement of financial position as at 31 December 2024, Statement of Financial Performance, 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 with subsection 10(1) 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 Baddegama 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 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

National Audit Act No. 19 of 2018 include specific provisions regarding the 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	Comment of the Sabha	Recommendation
(a)	The creditor value related to 04 industries carried out in the year under review had been understated by Rs. 240,000.	There is a difference between creditor schedules and bill values.	The creditor balance must be accounted correctly.
(b)	The laptop computer worth Rs.325,125, which had been received as a donation from the Local Government Department, had not been accounted for as an asset.	Accurate accounting will be done in the future.	Should be identified and accounted under fixed assets.
(c)	Creditor provisions of Rs.201,864 had not been allocated for 17 creditor balances due at the end of the year under review.	Accurate accounting will be done in the future.	The creditor balance must be accounted correctly.
(d)	Due to the fact that the fixed deposit value of Rs.25.48 million, which had been released for capital expenditure, was recorded as income for the year, the income for the year under review had been overstated by that value.	It was considered and accounted as income for the year because allocations had been made in the annual budget.	Accurate accounting should be done.

(e)	The value of solar panels worth Rs. 4.14 million installed at the Baddegama Town Hall, Baddegama Crematorium and Wanduramba Town Hall had been understated by Rs. 2.07 million.	Accurate accounting will be done in the future.	The correct value should be accounted.
(f)	The cost of constructing the upper floor of the head office had been over stated by Rs.0.67 million.	Accurate accounting will be done in the future.	The correct value should be accounted.
(g)	The Sabha had not made adjustments to the financial statements for the stamp duty over-allocations of Rs. 11.18 million made in relation to the years 2018 and 2019.	Accurate accounting will be done in the future.	Over-provisions should be adjusted in the financial statements.
(h)	The capital expenditure of Rs.716,059 incurred for the construction of 03 pre-schools belonging to the Sabha during the year under review had not been accounted under lands and buildings.	Accurate accounting will be done in the future.	The relevant expenses should be capitalized under land and buildings.

1.7 Non-compliances

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

	Reference to Laws, Rules, Regulation	Non compliance	Comment of the Sabha	Recommendation
(a)	Financial Regulation 137(2) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	An advance of Rs.100,000 had been paid for the repair of a vehicle owned by the Sabha without a recommendation from a mechanical engineer that the repair work had been carried out correctly.	Action will be taken in accordance with financial regulations in the future.	The recommendation of a mechanical engineer should be obtained before making payments for such repairs, and officers who fail to do so should be held accountable.
(b)	Public Administration Circular No	07 officers of the Sabha had been employed at the	will be agreed	The relevant officers should be transferred as appropriate in

18/2001 dated 22 August 2001	same workplace for a period of between 05 and 11 years, contrary to the provisions of the circular.		accordance with the transfer policy and the provisions of the circular.

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.34.26 million as compared with the excess of revenue over recurrent expenditure amounting to Rs. 37.24 million 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 submitted by the Secretary of the Sabha, the information on estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year is shown below.

	2024				2023			
Source of Revenue	**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	7,526,443	9,278,951	8,998,001	11,100,348	7,526,443	7,778,380	6,009,653	10,819,398
rent	19,715,780	11,876,164	11,840,507	152,193	19,715,780	4,772,115	4,875,790	116,536
License Fees	1,733,200	521,962	560,362	131,500	1,733,200	1,093,826	923,926	169,900
Other revenue	17,665,456	23,093,269	23,933,467	1,270,910	17,656,673	16,233,477	16,147,720	2,111,108
	46,640,879	44,770,346	45,332,337	12,654,951	46,632,096	29,877,798	27,957,089	13,216,942

2.2.2 Performance in Revenue Collection

Observations related to performance in revenue collection of the Sabha are given below.

(a) Rates and Taxes

(i)	The outstanding rates and tax balance, which was Rs.10.82 million as at 01 January of the year under review, had increased to Rs.11.1 million by the end of the year. Although assessment tax of Rs.5.6 million was billed in respect of 2085 units during the year, only Rs.2.84 million was collected from 1022 units.	Will be accepted.	The outstanding revenue should be collected promptly.
(ii)	Although the Sabha had collected between 01-1.5 tons of non-biodegradable garbage daily, by-laws had not been enacted to collect garbage tax.	Will be accepted.	Action should be taken to levy waste tax on biodegradable and non-biodegradable waste collected from commercial establishments by enacting by-laws.

(b) Other Revenue

	The court fines due from the Chief Secretary of the Provincial Council and other authorities as at 31 December of the year under review were Rs.4.84 million and stamp duty was Rs.82.35 million.	Will be accepted.	A formal program should be developed and action should be taken to collect arrears of income.

3. Operational Inefficiencies

3.1 Performing the 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.

Solid Waste Management

Audit Observation	Comment of the Sabha	Recommendation
The non-biodegradable waste collected by the Sabha was piled up in the garbage yard without implementing a formal program for recycling. Also, the required environmental protection permit from the Central Environmental Authority for compost production and waste disposal had not been obtained.	Will be accepted.	A formal program for waste management should be developed and action should be taken to obtain an environmental protection permit from the Central Environmental Authority.

3.2 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
Although a building permit can only be extended for up to 02 years in accordance with Section 10(6) of the Urban Development Authority Act No. 41 of 1978, the Sabha had not monitored 130 building development permits issued and had not taken action regarding unauthorized constructions.	Applicants who have been approved for building for more than a year have been notified in writing to obtain certificates of compliance.	Appropriate action should be taken against the responsible officials.

3.3 Idle or underutilized Property, Plant and Equipment

	Audit Observation	Comment of the Sabha	Recommendation
(a)	The Kumbuk Sewana Urban Park, which was fully constructed at a cost of Rs.27.18 million from 2021 to 2024, remained idle without being used for income-generating purposes.	Will be accepted.	Action should be made to utilize assets effectively and appropriate action should be taken against failure to do so.
(b)	The 39 perches of land with a swimming pool, which had been provided by a private company for	Will be accepted.	These assets should be repaired and used for public purposes and to

public purposes in 2003, had become overgrown by weeds by the end of the year under review and remained idle, not being used for the purpose of generating revenue for the Sabha.		generate income for the sabha, or the relevant land should be used for another appropriate purpose.

3.4 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
A street lighting tractor owned by the Sabha costing Rs.640,000 had not been repaired or disposed for 9 years and 03 tractor trailers for which the cost was not stated had not been repaired or disposed of more than 03 years. Furthermore, the motor grader vehicle costing Rs.24.93 million had been idle without running after 20 June 2024 with 131 liters of fuel.	Will be accepted.	Arrangements should be made to repair it immediately and put it into use or dispose of it as per the circular instructions.

3.5 Defects in Contract Administration

Audit Observation	Comment of the Sabha	Recommendation
For 02 projects carried out by the Sabha, Rs.113,754 was paid extra for the transportation of 91.7 cubic meters of stone based on the transportation from a distance of 20 km without confirming the exact distance.	Since there was a problem in sourcing the stone, it was purchased from the relevant supplier.	The overpayment should be recovered from the responsible officials.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comment of the Sabha	Recommendation
09 projects estimated at Rs.20.6 million included in the annual action plan for the year under review had not been completed during the year.	Will be accepted.	The action plan should be scientifically prepared and implemented, taking into account the resources and funding of the Sabha.