

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Bibila pradeshiya sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, Statement of Net Assets Changes, Cash Flow Statement 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, the sub section 172(1) of Pradeshiya Sabha Act No. 15 of 1987. 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 Bibila pradeshiya sabha as at 31 December 2024, and of its financial performance for the year then ended in accordance with generally accepted accounting practices.

1.2 Basis for Qualified Opinion

I expressed qualified opinion regarding financial statement 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 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 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 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 of this report 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 Council	Recommendation
(a) Rs. 505,053 paid to the Ceylon Electricity Board to obtain new electricity connections for 04 properties belonging to the council had not been capitalized.	That the opening balances will be corrected when the accounts for the year 2025 are prepared.	Accounts must be prepared correctly.
(b) The court fees amounting to Rs. 1,000,000 payable in the year under review for 10 cases filed by the Council in the years 2019 and 2020 had not been accounted for.	-Do-	-Do-
(c) The value of the Lenovo TAB machine received as a donation from the Regional Development Assistance Project in the year under review had not been identified and accounted.	-Do-	-Do-
(d) The value of 46 cemeteries belonging to the council had not been assessed and accounted.	-Do-	All property owned by the council should be assessed and accounted.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
As per the financial statements as on 31st December of the year under review, the billed income was Rs. 74,169,933 and as per the income statement submitted by the Secretary, it was Rs. 61,545,544, a difference of Rs. 12,624,389 was observed.	No answers were given.	Financial statements and documents must be reconciled.

1.7 Non- Compliances

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

All observations related to non-compliances with Laws, Rules, Regulations and Management decisions etc. be shown under this heading.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i)	F.R. 571	60 tender security deposits worth Rs. 754,400 and 304 general deposits worth Rs. 929,455 which were over 02 years old, had not been clear.	This balance will be dealt with in accordance with financial regulations in 2025.	Financial regulations must be followed.
(ii)	F.R. 770(4)	Arrangements had not been made to repair and put into use 03 vehicles that had been idle for a period of 01 to 15 years.	The recommendations and estimates of the Provincial Mechanical Engineer Officer for the repair of the hand tractor, water bowser and trailer will be obtained and the relevant repairs will be carried out.	Vehicles that can be repaired and used should be repaired promptly.
(b)	Paragraph 3.1 of the Circular No. 30/2016 of the Secretary to the Ministry of Public Administration and Management dated 29th December 2016	Fuel combustion tests had not been conducted on 08 vehicles owned by the council.	Fuel combustion testing will be conducted in the future.	Action must be taken according to 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 31December 2024 amounted to Rs. 8,646,826 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 5,091,889 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 Council Secretary, the information on estimated income, billed income, collected income and arrears of income submitted for the year under review and the previous year is shown below.

		2024				2023			
Source of Revenue		Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Assessments and taxes	18,155,047	22,084,929	12,972,023	9,112,906	14,007,866	10,916,460	7,759,257	3,157,203
(ii)	Rent	22,498,941	20,320,479	18,832,250	1,488,229	24,900,320	22,922,350	21,768,427	1,153,923
(iii)	License fees	3,591,800	951,520	951,520	-	3,793,300	1,589,875	1,589,875	-
(iv)	Other Revenue	12,460,440	18,188,616	2,038,612	16,150,004	11,696,500	17,153,538	6,827,752	10,325,786
	Collection	56,706,228	61,545,544	34,794,405	26,751,139	54,397,986	52,582,223	37,945,311	14,636,912

2.2.2 Performance in Revenue Collection

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

Audit Observation	Comments of the Council	Recommendation
(a) Out of the total revenue billed in the year under review of Rs. 61,545,544, Rs. 26,751,139 had not been collected by the end of the year, which was 43 percent of the total billed revenue.	That step will be taken to recover the outstanding amounts promptly.	Steps should be taken to collect billed revenue.
(b) Arrears of Assessments and taxes		
As at 31st December of the year under review, the outstanding assessments due for collection for more than 2 years amounted to Rs. 4,906,364.	-Do-	Action should be taken in accordance with the provisions of the Act to recover outstanding tax.

(c) Rent

As at 01st January of the year under review, the outstanding rent relating to previous years was Rs. 6,514,814 and only 33 percent, that is Rs. 2,167,066, had been received during the year.

-Do-

According to the agreement, outstanding amounts must be collected promptly.

(d) Other Revenue

The outstanding water charges amounting to Rs. 2,223,427 from the year 2020 to the year 2024 from the Rathupasketiya and Nayakandura water projects belonging to the Pradeshiya Sabha had not been recovered as of December 31 of the year under review.

That step will be taken to promptly recover outstanding water charges.

-Do-

2.2.3 Court fines and Stamp duty

Audit Observation

Comments of the Council

Recommendation

The stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31st December of the year under review was Rs. 27,547,310.

This amount will be collected promptly.

The arrears of revenue must be brought in urgently.

3. Operational review

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.

Audit Observation

Comments of the Council

Recommendation

The Nayakandura Water Project, which was completed on 31st May 2017 at a cost of Rs. 35,380,858 by the Council, was not able to obtain water from the water treatment plant and as of 31st December of the year under review, water was being supplied to consumers without treatment.

The officers in charge of the subject have been informed to conduct a water sample test in the future.

A quality test of drinking water should be conducted.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) As of December 31st of the year under review, 46 public cemeteries for which survey work had been carried out and 28 cemeteries for which survey work had not been carried out had not been taken over by the Council in accordance with Section 127 of the Pradeshiya Sabha Act No. 15 of 1987.	Efforts are being made to identify and gazette cemeteries and lands using GIS technology.	Steps should be taken to take over the cemetery from the council.
(b) Environmental permits had not been obtained for 15 industries that were required to obtain environmental permits according to the guidelines issued by the Central Environmental Authority to local government institutions on the issuance of environmental permits.	There are 04 industries that did not receive recommendations from government institutions, 07 industries that did not submit final call letters, 01 industry that had deficiencies in its application, and 04 industries that did not return its applications.	Regulatory functions should be carried out according to the powers granted.

3.3 Apparent Misappropriations

Audit Observation	Comments of the Council	Recommendation
While renting out the backhoe loader belonging to the council to an external party, the operator had received Rs. 13,000 from the landowner on October 28, 2023 without getting an application approved and without informing the officer in charge of vehicles and had misappropriated Rs. 6,500 of it. The arrangements for reserving the said machine had been made by preparing a fake application and no investigation had been conducted and necessary action had been taken in this regard.	An investigation is being conducted against the officer.	The recommendations of the investigation should be acted upon. Also, an effective internal control process should be implemented when renting vehicles to external parties.

3.4 Human Resources Management

	Audit Observation	Comments of the Council	Recommendation
(a)	As of December 31st of the year under review, there was a shortage of 2 employees in 02 posts in the Council and a surplus of 28 employees in 07 posts.	The Department of Local Government has been informed in writing regarding staff vacancies and surpluses.	Staff vacancies must be filled and surplus staff must be approved.
(b)	The employee loan amounting to Rs. 218,539 given to an employee of the Pradeshiya Sabha in the year 2018 had not been recovered as of December 31 of the year under review due to the death of the relevant officer.	That outstanding loan balances will be recovered promptly.	Employee loan balances should be recovered promptly.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
When comparing the estimated income and expenditure according to the budget prepared by the Pradeshiya Sabha for the year under review with the actual income and expenditure of the year, there were variations ranging from 10 percent to 74 percent in 07 income subjects and from 11 percent to 1251 percent in 06 expenditure subjects.	That step will be taken to prepare the budget properly in the future.	Annual budget estimates should be prepared more realistically and efforts should be made to achieve those goals.

4.2 Environmental Problems

Audit Observation	Comments of the Council	Recommendation
The waste collected by the local council through the sewerage service is disposed of in an open drain at the Puwakpelaya garbage yard, and formal action had not been taken in this regard as of December 31st of the year under review.	An estimate is being prepared to develop a treatment system for the disposal of solid waste in the year 2025.	A sewage treatment system should be built.