

Kotagala Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Kotagala Pradeshiya Sabha for the year ended 31 December 2020 comprising the balance sheet as at 31 December 2020 and the income and expenditure account, and notes to the financial statements, including a summary of significant accounting policies, 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 Sabhas 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 presented in Parliament appear in this report.

The accompanying financial statements give a true and fair view of the financial position of the Kotagala Pradeshiya Sabha as at 31 December 2020, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Opinion

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 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 Principles, 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 Sub-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 to be prepared.

1.4 Scope of Audit (Auditor's Responsibility in Auditing 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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 the 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 the Pradeshiya Sabha 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 are in consistence with that of the previous year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- (b) The recommendations made by me during the previous year are included in the financial statements presented as per the requirement of Section 6(1)(d)(iv) of the National Audit Act No. 19 of 2018.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 3,100,415 for the year ended on 31 December 2020 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 3,779,040.

2.2 Revenue Administration

2.2.1 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
<p>(a) Rates and Taxes</p> <p>I. Rates and Taxes had been billed exceeding 141 per cent of the estimated value while other income had been billed exceeding 563 per cent of the estimated value. Accordingly, revenue estimates had not been prepared properly.</p> <p>II. Revenue collection for Rates and taxes was as low as 62 per cent of the billed revenue. Forty eight percent of the outstanding of Rs. 3,408,429, was the balances older than 03 years and as such recovery of revenue in outstanding had not been carried out efficiently.</p>	<p>These types of shortcomings will be avoided in the future.</p> <p>These types of shortcomings will be prevented in the future.</p>	<p>Preparation of revenue estimates should be properly carried out.</p> <p>Collection of revenue should be properly carried out. Action should be taken to recover the arrears of revenue in terms of Sections 258 and 259 of the Pradeshiya Sabha Act No.15. of 1987.</p>

III.	Leaseholders of 30 plots of land in Lockhill Colony and Chryslas Farm owned by the Sabha had not paid Rs. 109,883 in lease rent for a period of 13 months to 38 months. The Sabha had not taken steps to properly identify the lessees and the relevant plots of land through a survey and reach a formal agreement.	These types of shortcomings will be prevented in the future.	Collection of revenue should be properly carried out and Sabha should take steps to reach an agreement.
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(b) **Stall Rents**

Out of the 60 shops owned by the Sabha, the Sabha had entered into lease agreements only with the lessees of 4 shops.

The process of reaching an agreement will be completed within a period of 03 months.

Revenue collection should be done systematically and steps should be taken to reach an agreement with the lessees.

(c) **Court fines and Stamp duty**

Court fines and Stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31 December of the year under review was Rs. 4,799,115.

This amount will be recovered and reported.

Revenue collection should be carried out systematically.

3. Operating Review

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act , being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

3.1 Uneconomic Transactions

Audit Observation

In case of subdivision of more than one hectare of land, an extent of not less than 10 per cent of the land area should be set aside for community and recreational activities after leaving the streets lines. Nevertheless, in handing over of the two plots of lands of 27.46 and 27.55 perches to the Sabha in the

Comment of the Sabha

Action will be taken in accordance with the instructions given.

Recommendation

Action should be taken to obtain lands from the places suitable for community and recreational activities.

year 2018 in the subdivision of the land called Kuda Oya Watta in the Kuda Oya Grama Niladhari Division, those plots of land had been obtained from a place with a steep slope which is not suitable for such community activities.

3.2 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Forty building applications had been received for the year under review, of which only 20 applications had been approved.	Action will be taken to approve the applications by conducting planning committees.	Activities relating to granting approval should be efficiently carried out.
(b) Although a record of public complaints / representations and the proper course of action taken regarding them had been maintained, it had not been kept in an updated manner. Although the Sabha had received 95 public complaints regarding water issues, land issues, disaster situations etc. for the year under review, the action taken had been stated only about 5 complaints. Accordingly, the action taken on 90 complaints had not been stated in the record.	Action will be taken to prevent these shortcomings in the future.	Records should be maintained up-to date and action should be taken without delay with regard to the public complaints.

3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comment of the Sabha	Recommendation
(a) The land containing 25.1 perches worth Rs. 5,600,000 and the land where the Watagoda public toilet is located remained underutilized due to lack of access roads to them.	Action will be taken to use these assets in the future.	Assets should be used effectively and efficiently.

(b)	Although it has been more than six months since the construction of the Watagoda Fish stall at a cost of Rs. 1,745,820, it remained underutilized without being used.	Although tenders were invited twice, no bids were submitted.	The construction should be used for the intended purpose.
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3.4 Deficiencies in the Contract Administration

Audit Observation

Although a sum of Rs.2,634,646 was due to be paid to the community based societies for 14 industries completed from 31 December 2018 to 31 December 2020 on various Ministry allocations, only Rs.1,078,648 was receivable to the Sabha in respect of 07 industries. Accordingly, a sum of of Rs.1,555,998 had to be borne by the Sabha fund.

Comment of the Sabha

Action will be taken to complete this industries and inform the audit in the future.

Recommendation

Public service should be fulfilled without fail by carrying out industries.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation

As there were vacancies in the Management Assistant Service, the duties of the Internal Audit Division and other subject duties had been assigned to a new Management Assistant who had joined the service in the year 2017 and had not been trained on the audit duties. Adequate internal audit had not been carried out during the year under review and Rs. 350,880 had been paid as the salary of the officer during the year.

Comment of the Sabha

It is informed that an audit plan has been prepared for the year 2021.

Recommendation

An adequate internal audit should be carried out.

4.2 Environmental Issues

Audit Observation	Comment of the Sabha	Recommendation
(a) The Sabha had prepared a plan for waste management in the year 2020 and it collects about 1460 tons of waste per year. Although the actual expenditure of the Health Sector of the Sabha was Rs.10,125,034, the expenditure incurred on waste management could not be distinguished. Annually 912.5 tons of degradable waste had been used for compost production and about 365 tons of waste is recycled per year. The amount of waste that is not recycled annually is about 182.5 tons of the total collection of garbage and this amount of mixed waste had been used to landfilling at the Pathana waste yard.	It is informed that action is being taken to rectify the relevant shortcomings.	Waste management process should be streamlined.
(b) Although there was a potentiality to improve compost production of the Pathana Compost Yard and turn it into a source of income for the Sabha, the attention of the Sabha remained minimal level in that respect.	An officer has been appointed to develop the yard.	Waste management process should be streamlined.
(c) An institute which is required to obtain an Environmental Protection Licence according to the National Environmental Act, No. 47 of 1980 as amended by Acts No. 53 of 2000 and No. 56 of 1988 and the Extraordinary Gazette No. 1523/16 of 25 January 2008 issued in accordance with the regulations made thereunder had not obtain the Environmental Protection Licence even by the date of audit on 21 February 2021.	It is informed that action will be taken to issue Environmental Licences in the future.	Action should be taken in accordance with the National Environmental Act and the regulations made thereunder.