

## **Imbulpe Pradeshiya Sabha - 2022**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Imbulpe Pradeshiya Sabha for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, cash flow statement, statement of changes in equity, significant accounting policies and the summary of other explanatory 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 the sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and 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 Imbulpe Pradeshiya Sabha as at 31 December 2022 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 based 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 Responsibility for the Audit of 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 financial reporting process of the Pradeshiya Sabha.

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 its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

#### **1.4 Audit Scope (Auditor's Responsibility 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 exercise 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 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 contents of the financial statements including the disclosures and whether the financial statements represent the underline 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 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.

- (a) As per requirement mentioned in Section 6(1) (d) (iii) of the National Audit Act No. 19 of 2018, the financial statement of the Pradeshiya Sabha is corresponded with financial statements of the previous year
- (b) The recommendations made by me during the previous year are included in the financial statements as requirement by Section 6 (i) (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) 03 Lands of total worth Rs. 13,853,282 owned by the council, 06 buildings and other assets worth Rs. 2,730,527 were not capitalized.	This will be corrected.	This should be corrected
(b) Arrears of the multi-purpose building for the year under review had been over accounted by Rs. 140,000 and Rs. 781,150 of rent receivable for Belihuloya tourist resort was not accounted.	This will be corrected.	This should be corrected.
(c) The accumulated fund had been over accounted by Rs. 1,427,854 at the end of the year under review due to erroneous double entries to correct the accounting deficiencies of the previous year.	This will be corrected.	This should be corrected.
(d) There was a difference of Rs. 10,800,813 between the balance according to the financial statements and the balance according to the source documents in 07 accounting subjects at the end of the year under review.	Action is already being taken to identify the difference and settle the balance.	Difference should be solved.

### 1.6.2 Lack of Written Evidences

Subject -----	Comments of the Council -----	Recommendation -----
No detailed schedules were submitted to confirm 05 accounting subjects totaling Rs. 113,902,104.	The relevant schedules will be submitted to the account in the year 2023.	Detailed schedules should be prepared.

## 1.7 Non-compliance

### Non-compliance with Laws, Rules, Regulations and Management Decisions

Non-compliance with Laws, Rules, Regulations and management decisions are as given below.

<b>Non-compliance</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
----- According to sub-sections (a) and (b) of section 24 of the Pradeshiya Sabha Act No. 15 of 1987, the roads owned by the council were not identified and gazette.	----- That necessary arrangements are being made to issue the road gazette till May 2023.	----- Should be act as per the Act.

## 2. Financial Review

### 2.1 Financial Result

According to the submitted financial statements, the income exceeding the recurrent expenditure of the council for the year ended 31 December 2022 was Rs. 3,147,407 and the correspondence income exceeding the recurrent expenditure of the previous year was Rs. 10,168,196.

### 2.2 Revenue Administration

#### 2.2.1 Estimated income, billed income, collected income and arrears of income

According to the information submitted by the council, the information about the estimated income, billed income, collected income and arrears of income related to the year under review and the previous year is given below.

Income Source	Estimated income	2022		Total deficit as at 31 December	2021		Total deficit as at 31 December	
		Billed income	Collected income		Estimated income	Billed income		Collected income
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Assessments and tax	2,908,337	859,515	863,702	160,622	909,308	856,868	811,964	271,401
Rentals	4,375,480	3,211,450	2,744,860	493,180	3,665,080	1,749,230	1,749,230	-
License fee	1,831,000	588,026	588,026	-	1,831,000	446,825	446,825	-
Other income	<u>12,706,800</u>	<u>10,008,078</u>	<u>52,318,480</u>	<u>8,721,859</u>	<u>10,326,000</u>	<u>9,844,874</u>	<u>8,401,638</u>	<u>26,050,122</u>
	<u>21,821,617</u>	<u>14,667,069</u>	<u>56,515,068</u>	<u>9,375,661</u>	<u>16,731,388</u>	<u>12,897,797</u>	<u>11,409,657</u>	<u>26,321,523</u>

## 2.2.2 Performance of the Revenue Collection

The observations regarding the performance of the revenue collection of the council are given below.

<b>Audit Observation</b> -----	<b>Comments of the Council</b> -----	<b>Recommendation</b> -----
(a) Although the assessable property should be assessed every 05 years, no assessment was done after the year 2011. Also, no assessment tax was collected from the identified developed areas in the year 2018.	The identification of assessment units in the areas identified as developed was completed in the year 2022 and further action will be done for the assessment.	Should be act as per section 134 of the Pradeshiya Sabha Act.
(b) The balance of Rs. 8,122,689 over 01 year from 10 water projects, acre tax of Rs. 100,285 over 03 years, Rs. 610,840 for renting JCB machine were not collected. Also, an income of Rs. 179,550 had been lost due to providing the JCB machine for off-site work in free of charge and income of Rs. 126,335 had also been lost due to charging fees against the recommended fee.	Arrears are being recovered. The estimated amount per machine hour will be revised and gazette in the year 2023.	The arrears should be recovered without delay.
(c) Rs. 413,550 to be charged from April to December 2021 for Belihul Oya tourist resort had been deducted without obtaining the approval of the Minister incharge of the subject/ Governor.	Action is being taken to obtain the approval of the Hon. Governor.	Governor's approval should be required.

## 3. Operational Review

### 3.1 Solid Waste Management

<b>Audit Observation</b> -----	<b>Comments of the Council</b> -----	<b>Recommendation</b> -----
A large quantity of non-perishable waste was disposed as detrimental to the environment. The baler machine, which is Rs. 950,000 received in June 2022 for a non- perishable waste center, was still unused until December 2022.	That plans for the construction of non-perishable waste yard have been prepared and referred to the relevant departments.	Arrangements should be made to get the necessary facilities and use the machine.

### 3.2 Operational Inefficiencies

#### Audit Observation

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Rs. 3,193,731 unrecognized advances pertaining to the period from 2002 to 2009 had been referred to the Governor for cut-off. Also, 10 advances amounting to Rs. 1,072,697 issued from the year 2010 to 2022 had not been settled by the end of the year under review.

#### Comments of the Council

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The said balances had been referred to the Governor for approval to cut-off

#### Recommendation

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Should be act as per Financial Regulations.

### 3.3 Assets Management

#### Audit Observation

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- (a) The land with the toilet system, which was completed at Rs. 1,852,279 near Pahanthudawa falls, was not handed over to the council and the ownership of 133 cemeteries owned by the council was also not settled. Due to this, there was a risk of unauthorized acquisition of the land.
- (b) The value of 24 lands owned by the council had not been assessed and accounted.

#### Comments of the Council

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That the relevant institution has been requested to hand over that land plot to the council.

#### Recommendation

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Action should be made to acquire the relevant land plot.

Land should be assessed and accounted.

### 3.4 Procurement Management

#### Audit Observation

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Maintaining of Diya pahasa rest house for the next 08 months from 01 November 2022 was given to the previous lessee outside the procurement process and without entering into a contract.

#### Comments of the Council

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That the decision taken by the General meeting for the lease has been referred to the Governor for approval.

#### Recommendation

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Should be followed the procurement guidelines.

### 3.5 Deficiencies in Contract Administration

#### Audit Observation

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An excess of Rs. 51,290 had been paid during the construction of the retaining wall at the Kepokwaththa compost yard.

#### Comments of the Council

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The excess amount is deducted from the retention amount.

#### Recommendation

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The excess amount should be paid.

### 3.6 Vehicle Fleet Management

<b>Audit Observation</b> -----	<b>Comments of the Council</b> -----	<b>Recommendation</b> -----
(a) The gully bowser worth Rs. 1,550,000 received by the council in the year 2011 has been idle since the date of received.	As there is no place to dispose the waste, it will be given to another local authority.	It should be assigned a needed institution.
(b) The ownership of 05 tractors and 04 trailers that were not owned by the council had not been taken over or returned and a scrap vehicle had not been disposed.	Action is being taken to taking over those assets and as that cab is a vehicle belonging to the Sabaragamuwa Provincial Council, letters have been submitted to the Chief Secretary.	Should be act as per circulars.