

Kamburupitiya Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kamburupitiya Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Statement of financial position as at 31 December 2022 Income and Expenditure Accounts, Statement of Changing Equity, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 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 Kamburupitiya 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 Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 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 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 Requirement

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshिया Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit observation -----	Comments of the Sabha -----	Recommendations -----
(a) A land valued at Rs. 33,000 and 05 vehicles valued at Rs. 18,172,144 owned by the sabha had not been accounted under property plant and equipment.	Will be corrected.	Should be accounted correctly.
(b) The sabha had owned 04 vehicles valued at Rs.225,525 which were not physically present had been accounted under fixed assets at the end of the year under review.	The action will be taken to correct.	Should be accounted correctly.
(c) The creditor balance was overstated by Rs.1,435,500 at the end of the year under review.	The action will be taken to remove journal entries.	Should be accounted by correctly.
(d) The value of war hero memorials valued at Rs.560,000 had been under stated by Rs.110,082 under land and buildings at the end of the year under review.	The action will be taken to remove journal entries.	Should be accounted by correctly.

1.6.2 Non reconciled control accounts or records

Audit observation -----	Comments of the Sabha -----	Recommendations -----
There was a difference of Rs. 581,944 in between the balances of 05 accounting items which totaled Rs. 100,287,747 included in the financial statements and the balances shown in the relevant documents/schedules.	The action will be taken to correct.	The differences in the respective balances should be reconcile and correct the accounts.

1.6.3 Suspense Accounts

Audit observation	Comments of the Sabha	Recommendations
----- The council had not taken steps to settle the credit balance of Rs.462,504 in the suspense account since the year 2006 up to the end of the year under review.	----- The action will be taken to correct.	----- The matter should be investigated and necessary adjustments should be made and the suspense account should be settled.

1.6.4 Lack of Documentary evidence for audit

Audit observation	Comments of the Sabha	Recommendations
----- Due to non-submission of updated fixed asset registers, detailed schedules and balance confirmations etc, 05 accounting items totaling to Rs. 381,343,967 could not be satisfactorily checked during the audit.	----- Will be corrected.	----- Evidence should be submitted to confirm the account balances shown in the financial statements.

1.7 Non compliances

1.7.1 Non-compliance with laws, rules, regulations and management decisions

Non-compliance with laws, rules, regulations and management decisions are as follows.

Reference to laws, rules regulation etc.	Non compliances	Comments of the Sabha	Recommendations
----- F.R. 103 and 104	----- In the monthly council meeting held on 12 January 2021, was decided to write off the goods shortage of Rs.80,120 identified in the 2020 annual board of survey of the Kamburupitiya Pradeshiya Sabha.	----- The action will be taken in accordance with the Financial Regulation 103 and 104	----- Action should be taken according to the Financial Regulation.

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 amounted to Rs. 1,662,212[₹] as compared with excess of revenue over recurrent expenditure amounted to Rs. . 21,406,094 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Information 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	2022				2021			
	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue (Rs)billed	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
(i) Rates and Taxes	3,243,280	7,426,909	3,671,984	5,514,317	3,170,000	1,502,521	1,223,447	1,759,392
(ii) Rent	8,204,800	9,004,009	6,767,122	6,325,137	9,591,800	3,398,147	714,556	4,088,250
(iii) License Fees	1,018,500	1,391,990	2,229,813	38,300	1,301,500	5,298,693	4,674,765	876,123
(iv) Other revenue	1,055,000	26,382,554	26,906,202	185,925	16,685,000	21,142,690	20,433,117	709,573
Total	13,521,580	44,205,462	39,575,121	12,063,679	30,748,300	31,342,051	27,045,885	7,433,338

2.2.2 Performance of Revenue Collection

The observations regarding the revenue collection performance of the council are as follows

Audit observation	Comments of the Sabha	Recommendations
(a) The outstanding assessment tax balance was Rs.1,591,652 at the beginning of the year under review and that balance was Rs.2,044,293 at the end of the year.	Had not been commented.	Arrears of income should be collected as soon as possible.
(b) According to Section 134 (1) of the Pradeshiya Sabha Act No. 15 of 1987, the developed areas of the council's jurisdiction had not been identified, assessable properties assessed and collected.	The property is being identified and mapped.	Arrears of income should be collected as soon as possible.
(c) According to Section 20 of the Taxation and Assessment Act No. 30 of 1946, assessed property should be assessed every 05 years and taxed on the annual value, however in the year under review, assessment tax was levied based on the assessed property assessment of 2015.	The assessment department has been informed for the new assessment.	The Tax should be charged on the updated assessed value.
(d) Arrears of Rs.4,991,543 had to be collected for 95 shops out of 234 shops owned by the council	The action will be taken to recover the outstanding	Arrears of income should be collected as

- at the end of the year under review,
- (e) According to Southern Provincial Local Government Commissioner's Circular No. දළස/පළාතකා/2010/01 and dated 27 December 2010, as at 31 December 2022, in relation to 68 shop rooms in 13 places owned by the Sabha and the shop lease agreement had not been updated, and in relation to 216 shop rooms belonging to 13 business complexes, the tax assessment that should be done once in 05 years had not been revised.
- (f) The court fines due from the Chief Secretary of the Provincial Council amounted to Rs.1,368,362 and stamp duty was Rs.46,327,223 at the end of the year under review.
- amount in the future. The action will be taken to update the assessment.
- soon as possible. The taxes should be assessed at regular intervals.
- The action will be taken to correct by journal entries. Arrears of income should be collected as soon as possible.

3. Operational Review

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

Audit observation	Comments of the Sabha	Recommendations
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(a) In terms of the Section 126(VIII) of the Pradeshiya Sabha Act No. 15 of 1987, bye-laws including planning and development regulations regarding the construction of buildings in non-urban Pradeshiya Sabha areas had not been enacted.	The by-laws are being prepared.	Arrangements should be made to prepare by-laws.
(b) It was observed that within the urban development area of the Kamburupitiya Pradeshiya Sabha, about 02 tons of waste is collected daily and the decomposing waste is dumped in a land near the Kamburupitiya public market. Since the garbage disposal site is a densely populated place near Kamburupitiya city, it was observed that there is a risk of spreading the stench in the surrounding area due to the dumping of garbage in an open area.	Expected to start a formal solid waste management project.	Waste management should be formalized.

3.2 Management Inefficiencies

Audit observation -----	Comments of the Sabha -----	Recommendations -----
The value of 31 plots of land owned by the council and the values of 02 vehicles had not been assessed and accounted at the end of the reviewed year.	The action will be taken to correct after getting the assessment reports.	Should be accounted correctly.

3.3 Operational Inefficiencies

Audit observation -----	Comments of the Sabha -----	Recommendations -----
(a) According to the Circular No. PR/01/01 dated 17 August 2010 of the Secretary of the Ministry of Electricity and Energy, Rs.1,714,829 was not reimbursed due to non-installation of street lights.	Had not been commented.	Arrears should be reimbursed promptly.
(b) According to Section 149 of the Pradeshiya Sabha Act No. 15 of 1987, charges were not collected from 02 hotels and restaurants registered with the Sri Lanka Tourism Board in Kamburupitiya Pradeshiya Sabha area of authority.	The relevant charges will be collected.	The revenue should be collected as per the Act.

3.4 Procurement Management

Audit observation -----	Comments of the Sabha -----	Recommendations -----
During the year under review, the council had made 24 purchases amounting to Rs.3,442,936 without calling for quotations in accordance with the Pradeshiya Sabha (Finance and Administration) Rule No. 207 of 1988.	All future purchases will be made according to the relevant Rules.	The action should be taken in accordance to the Rules.

3.5 Deficiencies in Contract Administration

Audit observation -----	Comments of the Sabha -----	Recommendations -----
The contractor society was overpaid Rs.180,631 for not using the prescribed rates in the development of Velangahawatta and Kahana Kuttiya road.	The rates of the Southern Provincial Road Development Authority were used, and the method of cutting the soil in the soil cutting machines was not mentioned, and will inquire about it further from the relevant agency.	HSR rates shall be followed.

3.6 Human Resource Management

Audit observation

The debt balance of Rs. 230, 612 due to 18 employees who worked in the council, transferred, left the service, and died remained uncollected for many years at the end of year under reviewed.

Comments of the Sabha

The action will be taken to recover in the future.

Recommendations

The arrangements should be made to settle the loan balance.