

Siyabalanduwa Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Siyabalanduwa Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Statement of financial position as at 31 December 2022, Statement of Financial Operations, Statement of changes in net assets, 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 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 financial statements give a true and fair view of the financial position of the Siyabalanduwa 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

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 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 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 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	Comments of the Sabha	Recommendation
(a) As on December 31 of the year under review, the value of the closing stock of electrical appliance in the financial statements was understated by Rs.232,998.	The relevant value will be included in the financial statements in the future .	Financial statements should be prepared based on correct values.
(b) The amount of Rs.42,380,096 incurred as capital expenditure and Rs.3,752,008 incurred as revenue expenditure which received for local development supporting Project had not been disclosed in the statement of financial operations for the year under review .	Instructions are given to correct those shortcomings by maintaining proper accounts, in the preparation of future financial statements	All income and expenses should be properly accounted for.
(c) In the statement of financial position as on 31st December of the year under review, motor vehicle and carts were overstated by Rs.160,000.	Instructions were given to correct in the preparation of the financial statements for the year 2023,	Assets owned by the Sabha should be properly identified and accounted for.
(d) Industrial creditors who were not paid in cash amounting to Rs.491,877 in relation to the capital expenditure incurred under the welfare services and public facilities, had been included under capital payments in the cash flow statement.	It was advised not to make this accounting deficiency in the preparation of future financial statements	In preparing cash flow statements, correct values should be identified.
(e) While the balance of property, plant and equipment included in the statement of financial position as on December 31 of the year under review was Rs.411,689,845, the sum of the balances of the income contribution to capital application account and the contribution by assistance to capital application account was Rs.412,087,959.	This difference will be corrected during the preparation of the financial statements of the year 2023 .	In preparing financial statements, correct balances should be identified.
(f) In the year under review, the value of two incompleted projects worth Rs.42,383,834 had been capitalized under fixed assets. .	The relevant officials were instructed not to make such accounting deficiencies in the preparation of future financial statements	Income and expenditure should be correctly classified and identified.

- (g) The value of library books shown under fixed assets had been overstated by Rs.156,191. It will be corrected in the preparation of financial statements for the year 2023. Correct values should be accounted for in preparing financial statements.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to non-submission of title deeds and reports of professional assessors, in respect of 02 asset subjects with a total value of Rs.328,862,219 could not be satisfactorily verified during the audit.	The value of land and other assets belonging to the Sabha will be assessed and settled.	The values of assets owned by the Sabha should be accurately identified and accounted for.

1.7 Non- Compliances

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

Below are the instances where laws, rules, regulations and management decisions were not complied with.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987 Section 24(1) (a).	140 roads included in the road inventory maintained by the Sabha were not published in the gazette.	The road inventory will be updated and those roads will be published in the gazette as soon as possible.	Road inventory should be maintained up-to-date and arrangements should be made for publication of the Roads in the Gazette.
(b) Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial regulation 371	The advance amount of Rs.20,000 obtained by a secretary who worked in the Pradeshiya Sabha on February 07, 2019, had not been settled by February 07, 2023.	The concerned officer has been informed in writing to carry out the necessary arrangements to settle the advance amount.	Advance payments should be settled immediately after completion of the relevant work.
(ii) Financial regulation 880 and 891	19 officials of the Pradeshiya Sabha who are required to furnish the security, had not	In the future, work will be done to start employee security	Officers who are required to furnish security should

furnished .

deposits. The officer-in-charge was instructed to start a security register containing the names of all officers

arrange for furnishing of security and should maintain a register.

- (c) Circular dated 17th August 2010 of the Secretary, Ministry of Power and Energy According to the registry of street lights maintained by the Sabha, although 1521 street lights were installed in the council area, no contract had been entered with the Ceylon Electricity Board regarding street lighting. The officer in charge of the subject was instructed to carry out these activities correctly in the future. It should be complied with 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 of the reviewed year amounted to Rs. 943,464 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 5,811,710 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 presented by the Chairman 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	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.
(i) Rates and Taxes	5,000	-	-	-	5,000	-	-	-
(ii) Rent	12,897,775	12,335,379	11,660,769	674,610	10,318,200	9,472,807	6,079,583	3,393,223
(iii) License Fees	1,830,200	1,052,600	1,037,600	15,000	1,762,500	1,479,310	1,467,310	12,000
(iv) Other revenue	16,916,814	10,425,389	7,933,204	2,492,185	14,375,536	9,718,055	8,940,772	777,283
Total	31,649,789	23,813,368	20,631,573	3,181,795	26,461,236	20,670,172	16,487,665	4,182,506

2.2.2 Performance in Revenue Collection

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

Audit Observation	Comments of the Sabha	Recommendation
(a) Out of the total billed revenue of Rs.23,813,368 in the year under review, Rs.3,181,795 was uncollected at the end of the year, which was 13 percent of the total billed revenue.	The arrears of revenue will be recovered promptly	Billed revenue should be recovered.
(b) Rs. 65,400 due before the year 2013 related to 18 open stalls in Athimale weekly fair owned by the Sabha had not been collected even on February 07, 2023.	Although letters have been issued from time to time to recover these arrears, so far the amount has not been collected.	The revenue in arrears should be recovered promptly.
(c) Outstanding water charges of Rs.143,632 due on December 31, 2022 from 130 water consumers of the Dematabedda water project belonging to Siyambalanda Pradeshiya Sabha had not been recovered.	The arrears of water charges are being collected	The revenue in arrears should be recovered promptly.
(d) Court fines of Rs.123,125 and stamp duty of Rs.2,423,009 that should have been received from the Chief Secretary of the Provincial Council and other authorities on December 31 of the year under review had not been collected.	Requests have been made through letters from the relevant institutions to provide outstanding court fines and stamp duty.	The revenue in arrears should be remitted promptly.
(e) Rs. 374,680 due for the year under review from 73 fixed advertising boards displayed by various institutions/individuals within the Sabha area of authority, had not been recovered by 31 December 2022.	The concerned institutions / and persons have been notified in writing to pay the arrears.	The revenue in arrears should be recovered promptly.
(f) Arrears machine rental income of Rs.286,850 due for a period from 2014 to 2021 and Rs.282,800 due for the year under review had not been recovered as on February 07, 2023.	Action will be taken to recover the arrears of machine rent due.	The revenue in arrears should be recovered promptly..

3. Operational Review

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

Audit Observation	Comments of the Sabha	Recommendation
The Pradeshiya Sabha had not taken steps to renew 17 expired environmental protection licenses whose validity period has expired and to issue environmental protection licenses for 07 newly identified industries.	Currently, environmental protection licenses are being renewed, and in the future, industry regulatory activities will be further formalized.	Existing industries in the Sabha area of authority should be regulated.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) 464 library books at a cost of Rs.103,429 were given to the readers in the period from 2000 to December 31, 2022 in 04 libraries belonging to the Sabha had not been collected by February 07, 2023.	Advice has been given to recover the value of the relevant books or books.	The library books given to the readers should be retrieved within the given time.
(b) No action had been taken to identify developed areas by the Sabha and publish them in the Gazette and levy assessment tax, even on February 07, 2023,	Based on decisions of the Sabha, the developed areas have been identified and survey work is being done to publish them in the gazette.	Developed areas should be identified and gazetted and assessed tax levied.
(c) 08 stalls in Siyambalanduwa weekly fair premises belonging to the Pradeshiya Sabhal were not leased as of February 07, 2023.	Although these 08 stalls have been procured twice, no one has come forward to get the stalls.	The shops owned by the Sabha should be leased and the revenue should be collected.
(d) The value of 05 Community halls belonging to the Pradeshiya Sabha had not been assessed and accounted for.	As there are problems in the lands where the Community halls are located, necessary actions are being carried out to resolve those problems.	Assets owned by the Sabha should be accurately identified and accounted for.

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| (e) | During the stock adjustment on 31st December 2022, a survey board was appointed and the closing stock was not calculated and the accounting was done based on the balances provided by the concerned officials. | From the year 2023 onwards, the closing stock calculation will be done by a survey board | Closing stock calculation should be done by formal survey board. |
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3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation

A solid waste shredding machine was purchased on January 13, 2022 at a cost of Rs. 735,000 for the compost production project of the Siambalanduwa Pradeshiya Sabha, and by February 06, 2023, the machine had not been used for the purpose.

Comments of the Sabha

This machine is attached to the T bar of the tractor and shreds the solid waste. Also, when necessary, this sherrding machine is removed and the tractor is used for other related activities.

Recommendation

The relevant machine should be used for waste management with maximum efficiency.

3.4 Assets Management

Audit Observation

- (a) The Kubota hand tractor, trailer and soil compactor belonging to Sabha had been remained unused since 2010 and 2020 respectively, but, it had not been repaired or disposed as of February 07, 2023.
- (b) The generator belonging to the council has been inactive since 2016 and no action had been taken to repair or dispose of.
- (c) The backhoeloder machine of the Sabha had an accident on September 8, 2020, and the agency had informed on the same day that an amount of Rs.170,586 would be spent on the related repairs. But even though more than 02 years had passed since the accident, it had not been repaired by February 07, 2023.
- (d) 25 lands of various sizes belonging to the Sabha had not been surveyed and legal ownership of 86 lands had not been taken over.

Comments of the Sabha

- Necessary action is being taken to repair and dispose of the relevant machines.
- Necessary actions will be carried out to dispose of this generator, in the future
- As soon as necessary approval is obtained for carrying out the repair work, it will be repaired
- Land surveying is currently being implemented.

Recommendation

- Vehicles and machines owned by the Sabha that need to be repaired and disposed should be directed for those activities in time.
- Machine repairs and disposal should be done on time.
- Necessary approvals should be obtained and repairs should be carried out promptly.
- Legal ownership of lands owned by the Sabha should be taken over.

- (e) Under the local development supporting Project, 10 solar street lights and 10 sets of accessories were purchased on March 10, 2022 at a cost of Rs.219,500 for city beautification. It was observed that only 02 out of 10 solar street lights had been installed by the audit date of 07 March 2023 and the rest of the street lights were in warehouse. Accordingly, in relating to 8 street lights worth Rs.137,600 with a warranty period of 06 months, even 06 months have passed beyond the warranty period they had not been used.
- Action will be taken to minimize such mistakes in the future
- The goods purchased should be used for the respective purpose without delay.

3.5 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
(a) As per Chapter XXIV, Section 4 of the Code of Establishment of Democratic Socialist Republic of Sri Lanka, the amount of Rs. 120,560 employee loan due from 6 officials was not recovered.	Efforts are being made to recover employee loans promptly.	Employee loans should be recovered promptly.
(b) As of December 31 of the year under review, there was a shortage of 05 employees according to the approved staff in relation to 05 positions in the Sabha, and by February 07, 2023, the said vacancies had not been filled.	These staff vacancies had been informed while presenting the staff reports every month	Arrangements should be made to fill the staff vacancies.