

## **Abanganga Korale pradeshiya sabha - 2022**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Abanganga Korale pradeshiya sabha including the financial statements for the year ended 31 December 2022 comprising the Balance sheet as at 31 December 2022, Income and Expenditure account, 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 and with the provisions of the National Audit Act No. 19 of 2018 read in conjunction with 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 Abanganga Korale pradeshiya sabha as at 31 December 2022, 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 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.

- 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.
- 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 observation on the preparation of Financial Statements

### 1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Payable expenditure of Rs.53,436 for the year under review had not been accounted.	That will be corrected in the future.	Should be Accounted correctly.
(b) A recurring expenditure of Rs.138,690 spent on the purchase of newspapers in the year under review had been accounted as a capital expenditure in the library book account and in revenue contribution to capital outlay account.	-Do-	-Do-
(c) Repayment of the bid deposit amount Rs.18,000 had been accounted for as capital expenditure.	-Do-	Should be properly identified and accounted

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| (d) | A stamp duty income of Rs.59,000 received in the year under review for the previous year had been considered and accounted as income of the year under review.  | -Do- | Revenue should be identified correctly and accounted. |
| (e) | Regarding the project for the development of Appallawela Culvert Road an amount of Rs.100,000 should have been received from the Road Development Authority, but it had been wrongly stated in the accounts that Rs.962,500 should be received. Also, Rs.62,500 was to be paid as the retaining but Rs.962,500 had been wrongly stated as being to be paid. Due to this, debtors had been overstated by Rs.862,500 and creditors had been overstated by Rs.900,000. | -Do- | -Do-  |
| (f) | Although the payable audit fee for the previous year was Rs.164,400 but it had been accounted in the financial statements as Rs.100,000 and it was understated by Rs.64,400.  | -Do- | -Do-  |

### 1.6.2 Documentary Evidences not made available for Audit

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
As of 31 <sup>st</sup> December of the year under review, 4 assets totaling of Rs.3,874,505 and 13 liabilities totaling of Rs.486,708 could not be satisfactorily verified due to non-submission of fixed asset registers and files and documents related to liabilities.	That the information is being identified.	Documents and files should be submitted to verify each balance.

## 1.7 Non- Compliances

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

Non-compliances with Laws, Rules, Regulations and Management decisions as follows.

	<b>Reference to Non-compliance Laws, Rules Regulations etc.</b>		<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	Section 15(3)(c) of the National Audit Act of 19 at 2018	The performance report submitted for the year under review did not include information regarding the objectives achieved by the pradeshiya sabha, future expectations, key performance indicators and resource utilization.	That the relevant facts have been included in the performance report and presented.	The provisions of the act should be followed.
(b)	Pradeshiya Sabha act no 15 of 1987			
(i)	Section 152(1)	A business tax income of Rs.12,000 had not been collected from 2 telephone towers installed in the sabha area.	That actions are being taken to collect the arrears.	The provisions of the act should be followed.
(ii)	Section 150(1)	Action had not been taken to collect the receivable money of Rs.56,000 from 60 businesses which were identified in business license survey.	That the Grama Niladari of the area has certified and submitted letters that businesses that have been stopped which were not paid money.	That should be confirmed that businesses did not functioned by a survey conducted by field officers relating to the subject.
(c)	Pradeshiya Sabha (Finance and Administration) rule 218	The survey had not been conducted relating to land and building after 31 <sup>st</sup> of December 2017.	That the survey work related to land and buildings is being carried out.	Rules should be followed.

- (d) Public  
Administration  
Circulars

Circular No. 30/2016 dated 29<sup>th</sup> of December 2016. The fuel consumption had not been checked of 08 vehicles in running condition owned by the council. That fuel consumption tests will be conducted in the future. The instruction of the circular should be followed.

## 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 2022 amounted to Rs.150,398 as against the excess of expenditure over recurrent revenue amounted to Rs.1,932,057 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 the Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

	Revenue sources	2022			2021			Total arrears as at 31 <sup>st</sup> December	
		Estimated revenue	Billed revenue	Collected revenue	Estimated revenue	Billed revenue	Collected revenue		
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	
(i)	Rates income	147,500	7,914	7,139	8,706	122,500	96,901	94,493	7,932
(ii)	Rent	357,400	245,320	255,529	29,935	349,900	229,749	207,090	40,144
(iii)	License Fees	245,100	293,900	293,900	-	275,000	324,550	324,550	-
(iv)	Other Revenue	1,400,000	1,626,705	1,502,976	808,683	1,400,000	1,517,517	1,441,650	684,954
	<b>Total</b>	2,150,000	2,173,839	2,059,544	847,324	2,147,400	2,168,717	2,067,783	733,030

## 2.2.2 Performance in Revenue Collection

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

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) As at 31 <sup>st</sup> December of the year under review, a arrears of Rs.808,183 had not been recovered in relation to 08 water schemes due to the non-maintenance of an information system on the information of water consumers and payment of water charges, and the process of charging arrears water charges was very slow.	That the arrears of water charges are being collected by computerized the information.	The arrears should be charged.
(b) Arrears balance of Rs.71,665 had not been recovered from 34 customers who were disconnected the water connection of 07 water schemes.	That the arrears water chargers will be collected.	Arrears water chargers should be collected.
(c) Court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities on 31 <sup>st</sup> of December 2022 were Rs.195,248 and stamp duty were Rs.676,400.	That the action will be taken to collect the further receivable money.	Receivable money should be collected.

## 3. Operational Review

### 3.1 Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) The total of 4 receivable accounts balances as on the last day of the year under review was Rs.20,658,385.	That the receivable balance will be collected.	The receivable money should be charged.
(b) The total of 2 payable accounts balances as on the last day of the year under review was Rs.20,116,548.	That the necessary actions are being taken to pay the payable balances.	The payable balances should be settled.

### 3.2 Operational Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) During the last 4 years, 130 building development permit applications were received and out of which 56 building development permits had been issued for applications. From these development permits 53 certificate of compliance had not been issued.	That there are time delays as the issuing of certificate of compliance depends on recommendations obtained from other institutes.	The certificate of compliance should be issued.
(b) Although the old library room owned by the sabha had been given to the Raththota Multi-Purpose Cooperative Society on 10 <sup>th</sup> of February 2021 without formal approval and agreement and a monthly rent of Rs.2,000 was informally assigned but Rs.46,000 had not been collected from that date to the end of the year under review.	That the action will be taken to collect the further receivable money.	A formal agreement should be made and taxes assigned and fees should be charged.

### 3.3 Idle or underutilized Property, Plant and Equipment

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Total of 07 vehicles, machinery and equipment worth of Rs.10,799,319 remained idle and underutilized for a period of 2 to 17 years.	Appropriate action will be taken relating to each asset.	Action should be taken to repair and use or should be disposed.

### 3.4 Assets Management

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) The ownership of 15 lands totalling of Rs.52,250 and 38 lands whose value was not recognized had not been acquired.	That necessary actions are being taken to take over.	The ownership of the land should be taken over.



(b) The ownership of the Mahendra cab worth Rs.1,319,050 received on 28 <sup>th</sup> of July 2018 from the Ministry of Provincial Councils and Local Government was not taken over.	That necessary actions are being taken to take over.	The ownership should be taken over.
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### **3.5 Human Resource Management**

#### **Audit Observation**

As on 31<sup>st</sup> December of the year under review there were 12 vacancies in 08 posts and an excess of one post in comparison with the approved number of employees and the actual number of employees.

#### **Comments of the Sabha**

That all recruitments to institutional posts have been suspended in now.

#### **Recommendation**

Action should be taken to maintain the approved carder.

### **4. Accountability and Good Governance. Budget Control**

#### **Audit Observation**

The estimated revenue of Rs.2,016,000 related to 05 revenue heads had not been recovered. There was a variation in the range of 24 percent to 150 percent between the estimated income and the actual income in 12 revenue heads and there was a variation in the range of 70 percent to 97 percent between the net provision and the actual expenditure in 7 expenditure heads.

#### **Comments of the Sabha**

That action will be taken regarding this in future.

#### **Recommendation**

The budget should be prepared and implement considering the need.