

Pallepola pradeshiya sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Pallepola 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 Pallepola 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.

- (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 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) In the year 2016, court fines of Rs.191,235 was received for that year had been accounted for as receivable income as on 31 st December of the year under review.	That will be corrected in 2023 accounts.	Should be accounted correctly.
(b) The sum of pre-school rent and rental income of Puranaguma building as on 31 st December of the year under review was Rs.46,054 had not been accounted.	That will be corrected in 2023 accounts.	The income should be accounted.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
It could not be verified satisfactorily during the audit due to non-submission of the Fixed assets registers, Stores registers and files for 03 assets head sum of Rs.1,805,368 and a liability head sum of	That the documents will be updated and the correct information will be searched and presented in the year 2023.	Documented information related to account balances should be prepared.

Rs.2,633,724 stated in financial statement of year under review.

1.7 Non- Compliances
Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a) Section 15(3)(c) of The National Audit Act No 19 of 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 performance report will be prepared in year of 2023.	The provisions of the act should be followed.
(b) Rule 59 of Pradeshiya sabha (finance and administration) in 1988	A survey should conduct at the beginning of the year and a list had not been prepared regarding industries and businesses that should be licensed within the sabha area.	That a survey is being conducted for licenses and business taxes for the year 2023.	The Rule should be followed.
(c) Amended F R 371(2) (b) of Public Finance Circular No. 01/2020 dated 28 th of August 2020	The imprest taken in 12 times in year under review had been settled with delay of 07 days to 32 days after finished the work.	That action are being taken to settle the advances without delay.	Financial Regulations 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.9,403,216 as compared with the excess of revenue over recurrent expenditure amounted to Rs.17,034,779 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			
	Estimated revenue	Billed revenue	Collected revenue	Total arrears as at 31 st December	Estimated revenue	Billed revenue	Collected revenue	Total arrears as at 31 st December
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i) Rates & tax	2,559,600	2,441,566	2,466,260	433,954	3,469,600	1,540,208	1,520,113	500,480
(ii) Rent	5,949,000	4,776,939	4,499,260	548,710	5,958,000	3,988,182	3,690,591	271,062
(iii) License Fees	1,560,000	1,035,580	1,035,580	-	1,312,000	801,396	921,596	-
(iv) Other Revenue	46,914,500	26,890,656	32,870,465	14,731,094	39,634,500	28,524,412	25,732,119	21,259,261
Total	56,983,100	35,144,741	40,871,565	15,713,758	50,374,100	34,854,198	31,864,419	22,030,803

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) Rates and Taxes		
An outstanding rates balance of Rs.84,071 had not been charged from 2 years to 18 years as on 31 st December of the year under review from 11 rates units exceeding Rs.5,000 per unit.	That arrears will be charged in future.	The arrears rates tax should be charged according to provisions of the act.

(b) Court fine and Stamp Duty.

Court fines that should have been received from the Chief Secretary of the Central Province and other authorities on 31st of December 2022 were Rs.883,893 and stamp duty were Rs.11,008,795.	Action will be taken to collect the arrears immediately.	Receivable court fine and stamp duty should be collected.
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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	Recommendation
Public Utilization Services		
According to the water sample tested the water of 04 water projects was found to be unsuitable for drinking but drinking water had been distributed without treatment.	Action will be taken to protect the quality of the water sources.	Cleaned drinking water should be issued.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The total of 2 receivable accounts balances as on the last day of the year under review was Rs.42,263,812.	Action will be taken to recover the arrears.	Receivables should be charged.
(b) The payable capital creditor balances as on the last day of the year under review was Rs.53,637,875	Action will be taken to settle the payable money.	Action should be taken to settle the payable money.
(c) 59 units of furniture and office equipment had not been assessed and accounted.	Action will be taken to include to the next final accounts.	Fixed assets should be valued and accounted.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Although 196 building development permits were approved between 2019 and 2022 and compliance certificates had not been issued for 158 building development permits. During that period 52 unapproved applications had not been followed up.	That were non-approved due to non-completion of deficiencies.	Compliance certificates should be issued and follow-up should be done.
(b) Although 88 water meters were disabled in 06 water schemes belonging to the sabha on the date of audit, only a fixed water fee of Rs.950 had been charged from the water consumers without repairing the disabled water meters or installing new water meters.	That only fixed water fees are charged.	Water meters should be installed and charged.

3.4 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
The ownership of 16 plots of land with an area of 13 acres 2 roods 18.5 perches and Rs.972,961 valued an area of cemeteries used by the sabha within the sabha area had not been taken over.	That survey work will be done and taken over.	The ownership of the lands should be taken over.

3.5 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
02 concrete mixers and 03 vehicles totaling of Rs.3,826,818 belonging to the sabha remained idle for a period between 2 and 15 years.	That the valuation reports are directed to be obtained for auction.	Action should be taken to repair or dispose the assets.

**4. Accountability and Good Governance.
Budgetary Control**

Audit Observation	Comments of the Sabha	Recommendation
(a) According to the budget prepared for the year under review, the estimated income and expenditure in comparison with the actual income and expenditure vary from 46 percent to 100 percent of the 22 income heads and from 42 percent to the 100 percent of 19 expenditure heads. It was observed that budgeting had not been used as an effective management control tool.	That the circular instructions will be followed in the preparation of future budget report.	Income and expenses should be accurately predicted and budget should be prepared.
(b) The budget report had been prepared including estimate value of Rs.16,800,000 of 42 development projects, without preparing engineering estimate with needs specifically identified and prioritized. Also, the development projects included in the budget had been revised by the council meeting on several times.	That budget estimates for development projects will be prepared based on engineering estimates.	Engineer estimates should be obtained and budget should be prepared.