

Harispattuwa Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Harispattuwa Pradeshiya Sabha for the year ended 31 December 2022 comprising the balance sheet as at 31 December 2022 and the income and expenditure account, and other explanatory information, including a summary of significant accounting policies, 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 Sub-section 172 (1) of the Pradeshiya Sabha Act, No.15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Harispattuwa 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

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

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 this 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 Sub-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 to be prepared.

1.4 Scope of Audit (Auditor's Responsibility in Auditing 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 scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 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 the Pradeshiya Sabha 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

Special provisions are included in the National Audit Act, No. 19 of 2018 with respect to the following requirements.

- The Financial Statements of the Pradeshiya Sabha are consistent with that of the preceding year as required by Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- The recommendations made by me during the previous year are included in the financial statements presented as required by 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 Policies

Audit Observation	Comment of the Sabha	Recommendation
Information relating to 11 court cases that existed as at the end of the year under review had not been disclosed in the financial statements.	Action will be taken to state this in the future.	This matter should be disclosed in the financial statements.

1.6.2 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Two motorcycles worth Rs. 138,260 auctioned during the year under review had been accounted for under the motor vehicles.	Action will be taken to settle it in the future.	The correct value should be accounted for.

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| (b) | Without being entered into agreements or liable to other commitments, a library automation software system had been installed by the end of the year under rearview and the estimated amount of 03 development projects totalling Rs. 27,069,400 had been accounted for under the sundry creditors. | The Department of Local Government has planned to do this task and delays have occurred in the implementation of projects. | Only the value of completed works should be accounted for. |
| (c) | A down payment of Rs. 540,000 obtained from a stall of the Medawala Shopping Complex had been accounted for under the General Deposit. | It has been accounted for as a non-refundable deposit. | This should be accounted for to the revenue. |

1.6.3 Unreconciled Control Accounts or Records

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs. 848,400 between the balances of 03 items of accounts mentioned in the financial statements and the balances stated in the relevant schedules.	Action will be taken to make corrections in the ensuing year.	Account balances should be corrected.

1.7 Non-compliance

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

Instances of non-compliance with laws, rules, regulations, and management decisions are as follows.

Reference to laws, rules and regulations	Non-compliance	Comment of the Sabha	Recommendation
Local Authorities (Standard By-Laws) Act, No.06 of 1952.			
(a) By-laws on advertisement boards	The advertisement board charges of Rs. 29,260 that remained receivable as at 31 December of the year under review had not been recovered.	Action will be taken to recover the arrears.	Arrears of revenue should be recovered.

- (b) By-laws on three-wheelers The three-wheeler charges of Rs.1,975,050 that remained receivable as at 31 December of the year under review had not been recovered. After identifying the three-wheeler associations, action will be taken to recover the revenue. Arrears of revenue should be recovered.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 44,230,158 as at 31 December 2022 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 41,689,826.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

According to the information submitted by the Chairman, the particulars on the estimated revenue, billed revenue, collected revenue, and outstanding revenue relating to the year under review and the preceding year, are as follows.

Source of Revenue	2022				2021			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	10,139,600	10,139,592	8,046,701	14,893,190	10,139,600	9,708,540	7,800,300	12,800,300
(ii) Rents	1,207,800	1,138,400	1,373,675	39,950	1,207,000	970,300	920,575	275,225
(iii) License Fees	1,904,050	2,141,050	2,141,050	-	1,000,000	1,019,500	1,019,500	-
(iv) Other Revenue	38,856,500	48,489,972	4,674,195	38,656,601	49,763,301	49,970,282	91,120	(5,159,176)
	<u>52,107,950</u>	<u>61,909,014</u>	<u>16,235,621</u>	<u>53,589,741</u>	<u>62,109,901</u>	<u>61,668,622</u>	<u>9,831,495</u>	<u>7,916,349</u>

2.2.2 Performance in the Collection of Revenue

	Audit Observation	Comment of the Sabha	Recommendation
(a) Rates			
(i)	The outstanding balance of rates by the end of the year under review amounted to Rs. 14,893,190 and there was arrears of rates totalling Rs. 5,860,087 due from 666 rating units with the arrears exceeding Rs.5,000 per unit.	Action will be taken to seize the properties by issuing warrants.	Action should be taken in accordance with the provisions of the Act.

- (ii) In terms of Section 20 of the Rating and Valuation Ordinance No.30 of 1946, rateable properties should be valued once in 05 years. Nevertheless, rates had been levied based on a valuation done in the year 2012. The Department of Properties should be properly valued. Valuation has been informed in this regard.

(b) Licence Fees

Eighteen institutions that are required to obtain Environmental Protection Licences had not renewed the licences for the year under review and it had not been possible to recover the charges of Rs.72,000 receivable for this purpose. They have been informed to obtain licences. Licences should be issued within the relevant period.

2.2.3 Court Fines and Stamp Duty

The court fines and stamp duty receivable from the Chief Secretary of the Provincial Council and the other authorities as at 31 December of the year under review amounted to Rs. 1,859,066 and Rs. 54,889,228, respectively. This matter has been informed to the Chief Secretariat. Arrears of court fines and stamp duty should be recovered.

3. Operating Review

3.1 Execution of duties entrusted by the Act

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act , being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

Audit Observation	Comment of the Sabha	Recommendation
(a) No attention had been focused on the implementation of public utility services such as Ayurvedic centre, gully bowser service and a weekly fair.	Action will be taken to carry out these activities in the future.	The public services should be maintained in accordance with the provisions of the Act.
(b) Although provision of Rs. 4,570,000 had been allocated from the budget of the year under review for the execution of welfare activities, that provision had been transferred to other objects without carrying out those activities.	Since the essential services should be maintained uninterruptedly, provision had to be transferred.	The function specified in the Act should be carried out.

- (c) Although it has been stated that the Pradeshiya Sabha should act as the Public Health Authority as required by Section 78 (1) of the Pradeshiya Sabha Act, No.15 of 1987, without being tested water samples of the drinking water scheme implemented within the area of authority, drinking water had been distributed among people. Relevant parties will be informed. Pure water should be distributed after testing water samples.

3.2 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Seven account balances that remained receivable as at 31 December of the year under review totalled Rs. 2,532,624, of which the balances related to the period from 01 to 05 years totalling Rs. 1,480,976 and the balances totalling Rs. 849,786 continued to exist for more than 05 years had not been recovered.	Action will be taken to recover the balances in the future.	Receivables should be recovered.
(b) Two account balances that remained payable as at 31 December of the year under review totalled Rs. 98,048,620, of which the balances related to the period from 01 to 05 years totalling Rs. 31,795,554 had not been settled.	Payment will be made on completion of the project.	Payable balances should be settled.
(c) The solar power system that had been received as donations in the year 2019 and installed in the Sabha had not been valued and accounted for.	Action will be taken to make the relevant corrections.	Assets should be accounted for.
(d) The value of 02 tractor trailers stated under the motor vehicle balances had not been identified and brought to account.	Action will be taken in accordance with the instructions of the Commissioner of Local Government.	Values should be correctly identified and brought to account.

3.3 Idle or Underutilized property, plant and equipment

Audit Observation	Comment of the Sabha	Recommendation
(a) A tractor-trailer, machinery and water equipment totalled Rs. 17,857,799 remained idle and underutilized over a period ranging from 01 to 24 years by the end of the year under review.	These items will be repaired and utilized in the future.	Assets should be utilized effectively.
(b) The Medawala bus stand and the No.12 reception hall situated in the shopping complex remained idle without being utilized for a productive purpose.	Plans have been drawn to use them for the activities of the Sabha.	-Do-

3.4 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) No action had been taken to take over the lands on which the libraries at Rathmale and Kurundugahamada are located.	Action will be taken to survey and take over the relevant lands.	The ownership should be taken over.
(b) Despite the payment of sums totalling Rs. 1,564,617 to the Urban Development Authority, including acquisition charges, administrative expenses, compensation payments, and survey charges within a period of 09 years, ownership had not been taken over.	-Do-	-Do-

3.5 Deficiencies of the Contract Administration

Audit Observation	Comment of the Sabha	Recommendation
Without following the tender procedure as required by Rule 177 of the Pradeshiya Sabha Rules (Financial and Administration) of 1988. the construction of the Yahalathenna Library building with an estimated value of Rs. 9,000,000 had been irregularly awarded to a contractual society after preparation of estimates under 04 stages and Rs. 9,000,000 had been spent during the year under review.	A registered society carried out the project.	Action should be taken in accordance with the Rules.

3.6 Irregular Transactions

Audit Observation	Comment of the Sabha	Recommendation
Without the approval of the Divisional Secretary, 32 teak and Jackfruit trees had been cut and removed from the Viguhumpola cemetery of the Sabha stating that a transmission line would be constructed.	Action was taken in accordance with a decision of the General Assembly.	Relevant approval should be obtained.

3.7 Human Resource Management

Audit Observation	Comment of the Sabha	Recommendation
(a) Cadre Vacancies and Excesses When comparing the approved cadre with the actual cadre, there were 17 vacancies in 14 posts and 20 excess cadre in one post.	The recruitments have been suspended and the trainee officers have been attached by the Chief Secretariat.	Relevant activities should be carried out in accordance with the approved cadre.
(b) Employees Loans A loan balance of Rs. 143,473 due from three officers transferred in the previous year and from two retired officers had not been recovered.	Action will be taken to settle the balance immediately.	Loan balances should be recovered.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comment of the Sabha	Recommendation
When comparing the estimated income and expenditure of the budget prepared for the year under review with the actuals, variations ranging from 30 per cent to 98 per cent were observed relating to 24 items of expenditure. Accordingly, the budget had not been made use of as an effective instrument in control.	Action will be taken to prepare the budget as an effective instrument in control in the ensuing year.	The budget should be prepared with due regard in keeping with the necessities.

4.2 Sustainable Development Goals

Audit Observation	Comment of the Sabha	Recommendation
Although the Sabha had identified sustainable development goals and targets in terms of provisions in the Sustainable Development Act, No19 of 2017, action had not been taken to achieve them.	Action has been taken to achieve those goals to certain extent.	Action should be taken to identify and implement the sustainable development goals.