

Panwila Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Panwila 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 Panwila 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 38 court cases that had not been concluded by the balance sheet date had not been disclosed in the financial statements.	Action will be taken to correct this matter in the ensuing year.	Information relating to new court cases should be disclosed in the financial statements.

1.6.2 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) The land worth Rs. .50,000 on which the Katukithula Community Hall is situated had not been accounted for.	Action will be taken to correct this in the preparation of financial statements for the year 2023.	Assets should be accounted for.

- (b) Without being implemented the task of distributing of books among the school children during the year under review, a sum of Rs. 1,500,000 had been stated under the creditors. As a result, creditors of Rs. 1,500,000 had been overstated in the accounts. Action will be taken to implement the relevant task in the year 2023. Relevant tasks should be implemented during the relevant period.

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, regulations etc.	Non-compliance	Comment of the Sabha	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka. F.R. 571 (3)	Seven lapsed deposits worth Rs. 134,878 related to the period from 2014 to 2019 had not been disposed of.	Action should be taken to credit it to the revenue or settle the amount.	Action should be taken in accordance with Financial Regulations.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the expenditure of the Sabha in excess of the recurrent revenue amounted to Rs. 301,966 for the year ended on 31 December 2022 as against the revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 1,716,823.

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	1,797,100	2,059,507	2,119,971	1,541,363	1,816,450	3,327,506	1,725,178	1,602,327
(ii) Rent	2,271,600	2,373,290	1,154,160	4,824,700	2,203,565	4,686,950	1,081,380	3,605,570
(iii) Licence Fees	2,446,000	1,647,790	1,675,667	1,145,993	2,872,200	2,195,314	1,021,643	1,173,870
(iv) Other Revenue	4,981,800	5,335,516	5,266,441	5,323,217	4,900,000	9,879,725	4,625,583	5,254,142
	<u>11,496,500</u>	<u>11,416,103</u>	<u>10,216,239</u>	<u>12,835,273</u>	<u>11,792,215</u>	<u>20,089,495</u>	<u>8,453,784</u>	<u>11,635,909</u>

2.2.2 Performance in the Collection of Revenue

Audit Observation	Comment of the Sabha	Recommendation
(a) Rates and Taxes		
(i) The balance of rates that remained outstanding by the end of the year under review amounted to Rs. 1,062,391 and it included the arrears of rates tallying Rs. 463,466 due from 60 rating units with the arrears exceeding Rs.5,000.	Action will be taken to recover the arrears in the ensuing year.	Revenue should be recovered in accordance with the Act.
(ii) The acreage tax units of the area had not been identified by conducting a survey on the acreage tax, the arrears of acreage tax amounting to Rs. 66,557 had not been recovered by the end of the year under review.	Action will be taken to carry out a survey and recover the arrears in the ensuing year.	Arrears of revenue should be recovered by conducting a survey.
(b) Stall Rent		
The arrears of stall rents of the public market complex totaled Rs. 4,777,200 by the end of the year under review and the billing of the year amounted to Rs. 1,194,600. Any amount from the arrears of revenue or billed revenue had not been recovered during the year under review.	Action will be taken to recover the arrears lawfully.	Arrears should be recovered.

(c) Licence Fees

Industrial tax, business tax, trade licences and Environmental Protection Licences to the value of Rs. 130,900 had not been recovered from 69 industries.

Action will be taken to recover the dues by following legal proceedings.

Fees should be recovered in time.

(d) Other Revenue

(i) Sums totaling Rs. 659,375 relating to 207 three-wheelers in 26 parks had not been recovered in terms of Section 126 (vii)(g) of the Pradeshiya Sabha Act No.15 of 1987. It included an outstanding balance of Rs. 214,850 due from 79 three-wheeler owners in relation to the period before 2018.

Action will be taken to recover the arrears according to the by-laws and to initiate legal actions.

Legal charges should be recovered.

(ii) The balance of the arrears of water charges as at the end of the year under review amounted to Rs. 1,092,542 and action had not been taken to recover arrears of water charges totaling Rs. 690,008 due from 92 water consumer units with the arrears exceeding Rs.5000 per unit.

Action will be taken to recover the arrears lawfully in the future.

Arrears of water charges should be recovered.

(iii) Action had not been taken to recover the arrears of advertisement board charges of Rs. 246,762 as at 31 December of the year under review in terms of Extraordinary Gazette No.1955/7 dated 23 February 2016.

Legal actions will be taken to recover the arrears.

Revenue should be recovered within the year.

(iv) The arrears of garbage charges of Rs.412,915 as at the end of the year under review had not been recovered.

Arrears will be recovered through mobile services and legal actions.

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2.2.3 Court Fines and Stamp Duty

The court fines and stamp duty that remained 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. 216,913 and Rs.3,767,000, respectively.

Action will be taken to recover the dues expeditiously.

Arrears of stamp duty and court fines 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)	According to the water sample test reports of 03 water projects belonging to the Sabha in the year under review, the E-Coli bacteria concentration ranged between 2-630 and the coliform bacteria concentration ranged between 10-1050. The contaminated water had been distributed to the public without being taken action in accordance with Section 78 (1) of the Pradeshiya Sabha Act No. 15 of 1987.	Action will be taken to add Chlorine and to test water samples within the prescribed timeline.	Action should be taken to distribute clean water.
(b)	On the provisions of the Ministry of Local Government, an agreement had been signed for Rs. 13,087,407 for the construction of a guest house at Knuckles Tourism Center in the previous year, and by April 2022, Rs.2,743,663 had been paid to the contractor for bills of Rs.5,866,860. Works of this projects had been stopped halfway. Apart from this, no action had been taken to earn any income from the Knuckles Babarella tourist resort, the buildings of which had been built at a cost of Rs.4,404,748 in the year 2017.	Action will be taken to earn income from that property including the new building in the future.	Action will be taken to earn income by completing the constructions expeditiously.

3.2 Management Inefficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Two account balances remained receivable as at 31 December of the year under review totaled Rs.4,365,834 of which the total balance related to the period from 3 to 5 years amounted to Rs.1,225,713 and the balance that continued to exist for more than 5 years totalled Rs.17,223.	Action should be taken to recover the arrears.	Receivable money should be recovered.

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| (b) | The capital creditors as at 31 December of the year under review totalled Rs.9,918,830, of which the amount related to the period from 03 to 05 years was Rs.1,461,316. | Action will be taken to expedite the relevant payments. | Creditors balances should be settled. |
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3.3 Human Resource Management

Audit Observation	Comment of the Sabha	Recommendation
(a) Cadre vacancies and excesses		
When comparing the approved cadre and the actual cadre, there were 15 vacancies in 11 posts and 05 excess cadre in one post.	The relevant parties have been informed regarding the vacancies and the excess cadre will be deployed in the duties.	Relevant activities should be carried out according to the approved cadre.
(b) Employees Loan		
A sum of Rs.12,600 had not been recovered from an officer interdicted in the year 2012, while loan balance of Rs. 311,320 had not been recovered from 02 officers deceased in the year 2020 and 2021.	Action will be taken to settle the loans.	Action should be taken to recover the loans.
(c) Although a human resource management plan should be prepared at least once in two years and annual performance agreements should be signed in order to capacity development of the public servants as per the Public Administration Circular No.2/2018 dated 24 January 2018, action had not been taken accordingly.	Necessary action will be taken in the ensuing year.	Action should be taken to sign performance agreements.

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 75 per cent to exceed 100 per cent were observed relating to 27 items of income, while variations ranging from 74 per	An effective budget will be prepared by obtaining more realistic information in the future.	The budget should be prepared with due regard in keeping with the necessities.

cent to 99 per cent were observed in relation to 15 items of expenditure. Accordingly, the budget had not been made use of as an effective instrument in control.

4.2 Sustainable Development Goals

Audit Observation

Although the Sabha had identified sustainable development goals and targets in terms of the Sustainable Development Goals Act, No.19 of 2017, action had not been taken to achieve them.

Comment of the Sabha

Action will be taken in this regard in the future.

Recommendation

After recognizing the sustainable development goals, action should be taken to achieve them and to identify indicators.