

Pasbage pradeshiya sabha – 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Pasbage 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 Pradesiya 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 paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Pasbage pradeshiya sabha as at 31st 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 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 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) During the year under review, had capitalized a recurring expenditure of Rs.150,000 spent to the renovation of the Asbon Weligampola community hall.	Will be corrected by the account in 2023.	Expenses should be accurately identified and accounted.
(b) 04 office tables of Rs.85,950 purchased in the previous year were not capitalized.	-Do-	Assets should be accounted correctly.
(c) The receivable stamp duty had been overstated by Rs.1,457,550.	-Do-	Receivable revenue should be accurately identified and accounted.
(d) During the year under review, the disposed amount of Rs.82,450 had not been removed from the asset accounts.	-Do-	Auctioned and destroyed goods should be identified and accounted

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
In the audit it was unable to satisfactorily verified because of the schedule and documents was not presented to the audit relating to the 07 account balance of Rs.509,262.	The balances mentioned here will be further investigated and settled.	Documents and schedules should be presented for balances in the financial statements.

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.

Reference to Non-compliance Laws, Rules Regulations etc.		Comments of the Sabha	Recommendation
Circular No.2018/05 dated on 24 th of April 2018 of the Commissioner of Local Government in Central Province	Two employees were hired on a daily basis and paid Rs.2,392,000 as wages between August 2019 and October 2022.	There is a strong need to recruit workers due to the existing labour vacancies in the council. Accordingly, the recruitment was done on the approval of the Commissioner of Local Government on the requests made by us,	Circular instructions 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 31st December 2022 amounted to Rs.14,076,675 as compared with the excess of revenue over recurrent expenditure amounted to Rs.14,750,304 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 source	2022				2021			
	Estimated revenue (Rs)	Billed revenue (Rs)	Collected revenue (Rs)	Total arrears as at 31 st December (Rs)	Estimated revenue (Rs)	Billed revenue (Rs)	Collected revenue (Rs)	Total arrears as at 31 st December (Rs)
(i) Rates and taxes	5,540,000	5,364,782	4,686,432	6,044,710	4,895,000	5,282,238	5,488,058	5,366,360
(ii) Rent	3,313,475	1,830,956	2,216,407	447,584	4,351,441	1,875,533	1,129,214	833,035
(iii) License Fees	879,850	832,410	765,110	573,000	900,900	885,186	779,786	505,700
(iv) Other Revenue	30,363,750	29,488,871	29,915,721	25,459,581	30,388,000	30,179,332	22,678,941	25,886,431
Total	40,097,075	37,517,019	37,583,670	32,524,875	40,535,341	38,222,289	30,075,999	32,591,526

2.2.2 Performance in Revenue Collection

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

Audit Observation	Comments of the Sabha	Recommendation
<p>(a) Rates</p> <p>As on 31st of December of the year under review, the total amount due from 24 assessable properties in excess of Rs.5,000 per assessable unit was Rs.173,274.</p>	<p>The Revenue Inspectors have been informed to collect the arrears of assessment.</p>	<p>Arrears rates should be collected.</p>
<p>(b) Acreage tax</p> <p>As on 31stDecember of the year under review, the amount due from 34 properties where the acreage tax is more than Rs.1,000 per unit was Rs.127,672.</p>	<p>That the arrears will be collected.</p>	<p>Arrears acreage tax should be collected.</p>
<p>(c) Water Tax</p> <p>(i) In relation to 17 water projects of the council, the outstanding balance over year was Rs.3,975,544 from 1,093 water consumers.</p> <p>(ii) In the provision of new water connections in 04 water projects belonging to the council, the total amount of Rs.3,603,141 due for more than 05 years was not collected from 530 water consumers.</p>	<p>That the arrears will be charged.</p> <p>Various actions have been taken to recover the related water arrears.</p>	<p>The outstanding water charges should be collected.</p> <p>-Do-</p>

(d) Advertisement Board Fees

The outstanding balance for more than a year was Rs.247,517. In relation to the 15 advertisements Board installed in the sabha area. The relevant institutions have been informed in writing to pay the arrears. Advertisement Board fees should be charged.

2.2.3 Court fines and stamp duty**Audit Observation**

Court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities on 31st of December 2022 were Rs.1,335,534 and stamp duty was Rs.19,653,250

Comments of the Sabha

That stamp duty arrears and court fines will be collected.

Recommendation

Court fines and stamp duty should be collected.

3. Operational Review**3.1 Management Inefficiencies****Audit Observation**

(a) The capital Debtors Balance as on the last day of the year under review was Rs.77,415,330. Out of that the total balance related to a period between 01 and 05 years was Rs.15,456,641 and the balance that exceeded 05 years period was Rs.1,942,680.

Comments of the Sabha

The money will be reimbursed.

Recommendation

Receivable balances should be collected.

(b) As at the last day of the year under reviewed the balance of the 02 payable accounts were Rs.83,980,932, out of that total balance between 01 and 05 years was Rs.18,259,341 and the balance that was over 05 years was Rs.2,145,607.

Unable to made the payments due to money has not been reimbursed.

Payable accounts balances should be settled.

3.2 Operation Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) 364 applications were received for development permits, and the approved applications was 331 during the period from 2018 to 2021. However, only 58 of certificate of conformity were issued during that period.	51 certificate of conformity have been issued in 2018 and 2019 and it is proposed to repeat the awareness after lapse of 03 years for approved applications in 2020 and 2021.	Certificate of conformity should be issued.
(b) The assessment was charged on the property valuation done in 2011 without conducting a new property valuation for assessment.	The approval of the Governor has not yet been received that a percentage revision of the annual value of the properties is appropriate.	Assessment property should be valued.

3.3 Transactions of Contentious Nature

Audit Observation

The council had leased a 02 acres granite land with 02 quarry taken as lease from the Land Reform Commission and leased it for 05 years without getting an valuation from the valuation department and decided a minimum bid of Rs.200 for 01 granite cube.

Comments of the Sabha

It has been decided in the Technology Evaluation Committee that it is appropriate for a renderer who fulfils all the qualifications to get Rs.100 as the minimum bid for one granite cube.

Recommendation

Bid amount should be determined after getting the valuation.

3.4 Assets Management

Audit Observation

- (a) According to the sabha documents, although it was indicated that there are 13 cemeteries owned by the Land Reform Commission and 17 cemeteries owned by the Divisional Secretary within the sabha area but the Asset Survey Board in 2020 identified only 24 cemeteries. These cemeteries were not taken over to the sabha.

Comments of the Sabha

The Cemeteries acquisition process is being carried out to the sabha.

Recommendation

Arrangements should be made to take over the cemeteries.

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| (b) The ownership of the plots of land where 34 community halls were built by the council for providing public facilities was not taken over to the council according to Section 128 of the Pradeshiya sabha Act No. 15 of 1987 | The community halls taking over activities are going on. | Arrangements should be made to take over community halls. |
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3.4 Defects in Contract Administration

Audit Observation

Comments of the Sabha

Recommendation

Development of the road near from Galamuduna Sports Ground to Line Room No. 01 Rs.498,350.

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| (a) According to the estimate bills, the concrete layer laid on the road should be constructed with a thickness of 06 inches, but according to the core cuts obtained at a distance of 20 and 48 meters of the road, the thickness of concrete layer only 05 inches therefore which is Rs.62,270 had been paid more for 3.08 cubic meters. Rs3,886 had been paid more for the transport expenses. The concrete mix used to construct the road was very weak. | That the project will be checked and the relevant report will be presented and if overpaid they will be reduced. | Adequate supervision should be maintained. |
| (b) Rs.20,000 was paid to plant trees on both sides of the road and install the name board but the work was not done. | As there is no space for planting trees on the sides of the roads, trees have been planted in the Solankanda new village. | Payments should be made for work done. |

3.5 Human Resources Management

Audit Observation

Comments of the Sabha

Recommendation

(a) Employees vacancies and excess

Comparing the approved carder and actual carder there were 11 vacancies in 08 posts and 09 excess in one post.

There quests have been made pointing out the need for recruitment for vacant posts.

Vacancies must be filled.

(b) Employee Loans

Employee loans of Rs.484,746 due from 04 officers who had transferred and left the service had not been collected. The outstanding loan balances will be collected. Outstanding loan balances should be collected.