

Pathahewaheta Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Pathahewaheta 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Pathahewaheta 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 Pradeshia 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 Pradeshia 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

Accounting Deficiencies

Audit Observation	Comment of the Pradeshia Sabha	Recommendation
a) Audit fees amounting to Rs.134,880 payable in the year under review, had not been accounted for.	Corrective measures will be taken in due course.	Should be brought to accounts correctly.
b) Pensions totalling Rs.106,054 payable by the end of the year under review, had not been accounted for.	- Do.	- Do.
c) The advertisements board income of Rs.265,292 receivable by the end of the year under review, had not been accounted for.	- Do.	- Do.

1.7 Non-compliances

Non-compliances with Laws, Rules, Regulations, and Management Decisions

Instances of non-compliances with Laws, Rules, Regulations and Management Decisions are as follows.

Reference to Laws, Rules, and Regulations	Non-compliance	Comment of the Sabha	Recommendation
a) Section 127 of the Pradeshiya Sabhas Act No. 15 of 1987.	Thirteen cemeteries in the division of the Sabha had not been taken over by the Sabha.	Action will be taken to take over after informing.	The cemeteries should be taken over.
b) The Local Authorities (Standard By - Laws) Act No. 06 of 1952			
(i.) Bylaw on parking of three wheels.	Three wheel fees of Rs. 5,554,900 receivable from three wheel parks relating to the period of 2015-2022, had not been recovered.	Will be recovered in the ensuing year under a proper methodology .	Should be recovered as per provisions of the bylaw.
(ii.) Bylaw on advertisement boards.	Fees of Rs. 49,319 had not been recovered in the year under review relating to 75 advertisement boards.	Legal action are to be taken on unsettled fees.	- Do.
c) Financial Regulation 571 (3) of the Democratic Socialist Republic of Sri Lanka.	Eighty nine matured deposits valued at Rs. 2,867,079 relating to the period 2012-2020, had not been settled.	Such deposits will be credited to the Government revenue.	The Financial Regulations should be followed.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, revenue of the Pradeshiya Sabha in excess of the recurrent expenditure for the year ended as at 31 December of the year under review, amounted to Rs. 43,900,990 as compared to the corresponding revenue in excess of the recurrent expenditure for the preceding year amounting to Rs. 39,623,148.

2.2 Revenue Administration

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

Particulars on the estimated revenue, billed revenue, collected revenue and outstanding revenue relating to the year under review and the preceding year as per information presented by the Chairman, are given below.

Source of Revenue	2022			Total Deficit as at 31 December	2021			Total Deficit as at 31 December
	Estimated Revenue	Billed Revenue	Collected Revenue		Estimated Revenue	Billed Revenue	Collected Revenue	
	Rs .	Rs .	Rs .	Rs ..	Rs .	Rs ..	Rs .	Rs .
(i) Rates and Taxes	3,151,936	3,359,800	5,889,272	4,743,864	3,363,599	3,187,281	3,189,469	7,273,336
(ii) Lease Rents	2,475,925	6,674,473	6,625,286	1,445,897	1,840,710	4,656,702	4,553,006	1,396,710
(iii) License Fees	2,203,765	2,400,556	1,762,856	5,554,900	2,225,365	2,182,133	1,765,633	4,917,200
(iv) Other Income	51,043,879	51,923,097	58,256,724	89,634,452	49,491,590	57,209,320	48,195,539	95,968,079
	<u>58,875,505</u>	<u>64,357,926</u>	<u>72,534,138</u>	<u>101,379,113</u>	<u>56,921,264</u>	<u>67,235,436</u>	<u>57,703,647</u>	<u>109,555,325</u>

2.2.2 Performance in Collecting Revenue

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
a) Rates and Taxes		
(i.) The balance of due rates totaled Rs. 4,094,822 by the end of the year under review. The total of 114 properties of which the outstanding rates per unit exceeded Rs. 5,000 was Rs. 2,852,987.	Will be recovered through confiscation.	Revenue should be collected by taking action as per the Act.
(ii.) There existed an outstanding acreage tax balance of Rs. 649,041 by the end of the year under review. There was an outstanding balance of Rs. 432,975 relating to 07 units that exceeded Rs. 40,000.	They have been informed in this connection.	Action should be taken as per provisions of the Act.
b) Other Income		
The balance of outstanding water charges totaled Rs. 15,517,372 by the end of the year under review, and out of 456 water consumption units exceeding Rs. 5,000, water charges totalling Rs. 8,223,574 had not been recovered.	It has been planned to recover the outstanding balances and write off the unrecoverable balances.	Outstanding balances should be recovered.

2.2.3 Court Fines and Stamp Fees

Court fines and stamp fees receivable as at 31 December of the year under review from the Chief Secretary of the Provincial Council and other authorities, totaled Rs. 1,111,692 and Rs. 73,005,388 respectively.	Replies to the letters sent to the Provincial Treasury had not been received.	Stamp fees and court fines should be recovered.
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3. Operating Review

3.1 Execution of Duties Vested through the Act

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabhas 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 Pradeshiya Sabha	Recommendation
a) As a fence had not been erected around the waste management yard, wild animals had eaten the garbage causing an unfavorable situation both for the animals and the organic fertilizer manufacturing yard.	Action has been taken to construct a fence.	Action should be taken to protect the properties and environment.
b) A gully service had not been maintained in terms of Section 93 (b) of the Pradeshiya Sabha Act, No. 15 of 1987 to dispose of waste from the houses in the division by cleaning and emptying the sewage pits on time.	The Sabha does not have facilities to maintain such a service.	Action should be taken in terms of provisions of the Act.

3.2 Management Inefficiencies

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
a) There existed capital debtors balance of Rs.202,655 as at 31 December of the year under review, and action had not been taken to recover a sum of Rs. 150,000 continued to exist therein over a period of 05 years.	Funds had not been reimbursed despite being requested.	The receivable balances should be recovered.
b) There existed an expenditure creditors balance of Rs. 3,190,466 as at 31 December of the year under review, and action had not been taken to settle account balances totaling Rs. 261,500 continued to exist therein over a period of 1-3 years.	Will be paid in this year.	Creditors balances should be settled.

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| c) | Although there were 3600 water consumers in the division of the Sabha relating to 08 water projects, water meters had not been installed for 3,088 of them, and water charges had not been recovered correctly. | As water meters had become non-functional due to sand and stones being logged, installations had delayed. | Water meters should be installed and, the charges should be recovered properly. |
| d) | Deeds of rights, deeds of expression or orders of transfers relating to 15 plots of land valued at Rs. 24,976,816 as at the end of the year under review, had not been made available. | Approval had not been given for surveying, and granting deeds had been delayed by the Land Reforms Commission. | Rights should be acquired legally. |

3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
Nine plots of land valued at Rs. 32,572,500 handed over to the Sabha for common activities in the wake of land auctions and 19 plots of land the value of which could not be identified, had not been used for the intended purpose and remained unused.	Action will be taken in due course to be used in a useful manner.	Productive utilization of lands should be ensured.

3.4 Assets Management

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
A building valued at Rs. 4,950,000 being used by the Sabha, 08 buildings the values of which had not been computed, and 05 water projects had not been taken over.	Action will be taken to formally take over those items.	Rights to the properties should be taken over.

3.5 Irregular Transactions

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
The Lookkandura tourism center had been established by the Central Provincial Department of Tourism in the year 2017 at an expenditure of Rs. 6,070,538 at a land of 15 perches belonging to the Janatha Estate Development Board. The Sabha did not have a formal lease agreement for that land.	Necessary action is being taken.	A formal agreement should be entered into.

3.6 Human Resource Management

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
Vacancies and Excess Employees		
A comparison of approved cadre and actual cadre revealed 21 vacancies in 10 posts and 11 excess employees in 02 posts.	It has been made aware of vacancies, and the excess employees are Development Officers.	Vacancies should be filled.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
The comparison of estimated revenue and expenditure as per the budget prepared for the year under review with the actuals revealed variances ranging from 13 – 99 per cent relating to 04 Items of Revenue whereas variances ranging from 33 -97 per cent existed relating to 28 Items of Expenditure. As such, the budget had not been made use of as an effective instrument of control.	Development projects had been limited. Prices of materials had increased, and economy had collapsed.	The budget should be prepared attentively and taking into account the requirements.

4.2 Sustainable Development Goals

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
Although the Sabha had identified sustainable development goals and targets in accordance with provisions of the Sustainable Development Act, no action had been taken to achieve them.	Will be implemented in due course.	Goals and targets should be identified and implemented.