

## **Thumpane Pradeshiya Sabha - 2022**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Thumpane 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 Thumpane 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 Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Sixteen capital debtors balances totalled Rs.3,349,272 settled during the period from 2019 to 2021 had been further stated in the debtors.	Correction will be made immediately.	Accuracy should be ensured in the accounting process.
(b) Twenty one creditors balances totalled Rs.5,806,869 settled during the period from 2019 to 2021 had been further included in the creditors.	-Do-	-Do-

### 1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comment of the Sabha	Recommendation
When comparing the balances related to 10 items of account stated in the financial statements with the total balance shown in the subsidiary documents, there was a difference of Rs.569,076.	These differences will be checked and corrected.	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
(a) Section 03 of the Cemeteries and Burial Grounds Ordinance in accordance with Section 127 of the Pradeshiya Sabha Act No. 15 of 1987	Ownership of 37 cemeteries utilized by the Sabha had not been taken over.	Action will be taken to obtain the transfer orders.	Ownership should be taken over.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 571 (3)	Sixty-nine lapsed deposits worth Rs. 1,538,206 related to the period from 2015 to 2019 had not been disposed of.	Action will be taken to settle it.	Action should be taken in accordance with Financial Regulations.
(c) The Local Government Institutions (Standard Bye-Laws) Act No. 06 of 1952 By-law on the advertisement boards.	Licences had not been issued to the advertisement boards worth Rs.64,250 displayed on 05 locations.	Action will be taken to recover the arrears.	Licences should be issued.

## 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. 25,743,785 for the year ended on 31 December 2022 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 16,820,903.

## 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	2,744,000	3,248,188	3,239,550	1,765,855	2,744,000	3,143,434	3,514,884	1,757,217
(ii) Rents	5,156,000	4,780,730	5,261,153	408,847	6,312,000	5,376,152	4,899,074	889,270
(iii) License Fees	1,640,000	1,683,076	1,493,955	189,121	1,640,000	1,700,842	1,447,842	-
(iv) Other Revenue	30,953,600	46,016,081	50,851,993	34,449,247	22,240,500	59,241,040	51,735,809	39,285,159
	<u>40,493,600</u>	<u>55,728,075</u>	<u>60,846,651</u>	<u>36,813,070</u>	<u>32,936,500</u>	<u>69,461,468</u>	<u>61,597,609</u>	<u>41,931,646</u>

### 2.2.2 Performance in the Collection of Revenue

#### Audit Observation

#### Comment of the Sabha

#### Recommendation

#### Rates and Taxes

The balance of the rates that remained outstanding as at the end of the year under review amounted to Rs. 1,765,855 and the amount due from 16 rating units with the arrears of rates exceeding Rs.10,000 per unit totalled Rs. 279,019 and the amount due from 68 rating units with the arrears of rates exceeding Rs.5,000 per unit totalled Rs. 633,426.

Plans have been drawn to collect the arrears of revenue.

Action should be taken in accordance with the provisions of the Act.

### 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. 872,652 and Rs. 30,014,580, respectively.

Action will be taken to recover the dues in the future.

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.

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) Although Rs. 3,890,024 had been spent for the implementation of 02 water projects mentioned in the Action Plan, it had not been able to utilize due to non-completion of the works as at the end of the year under review.	Funds were inadequate.	Action should be taken in accordance with the Action Plan.
(b) The Alakolamadiththa Water Scheme constructed at a cost of Rs. 1,686,061 in the preceding year had not been implemented.	Action will be taken to provide water connections to water consumers in the future.	Action should be taken to implement the relevant water scheme.
(c) A gully vehicle service had not been maintained to clean and empty the toilet pits properly within the due timeframe for disposing of sewage of the houses in the area in accordance with provisions of Section 93 (b) of the Pradeshiya Sabha Act, No.15 of 1987.	There is no suitable location to dispose of the waste.	Action should be taken in accordance with the provisions of the Act.
(d) According to the water sample tests performed in 03 water projects of the Sabha in the year 2022, the E Coli bacteria concentration was 36 and the Coliform bacteria stood in a range between 28 and 110. Without being taken steps in accordance with Section 78 (1) of the Pradeshiya Sabha Act, No.15 of 1987, the water which is unfit to drink had been distributed among the people.	Relevant officers will be informed to test water samples.	Purified drinking water should be distributed after testing water samples.

### 3.2 Identified Losses

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) For the development of shopping complex in front of the Sujatha Balika Vidyalaya, the constructions had been awarded after entering into an agreement in the year 2014. Nevertheless, the relevant contractor had abandoned the work and the advance of Rs. 883,333 paid to the contractor had not been recovered thus far.	The responsible parties will be identified after conducting an investigation as per the F.R.104 (3)	Necessary measures should be taken after identifying the responsible parties.
(b) Action had not been taken to conduct an investigation in accordance with Financial Regulation 104 (3) (4) regarding the sports equipment stock worth Rs. 74,250 that had been misplaced on 08 December 2021.	The correction will be made in the future.	Accounts should be prepared accurately.

### 3.3 Management Inefficiencies

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) Nine account balances that remained receivable as at 31 December of the year under review totaled Rs. 78,290,549 of which the total balance related to the period from 3 to 5 years amounted to Rs. 5,840,917 and the balance that continued to exist for more than 5 years amounted to Rs. 3,647,359.	Action will be taken to recover the arrears.	Receivable balances should be recovered.
(b) A total of 105 sundry creditors balance payable as at 31 December of the year under review amounted to Rs. 12,009,300, of which the balances related to the period from 01 to 03 years were Rs. 9,264,729 and Rs. 62,155,624.	This will be examined and settled.	Creditors balances should be settled.

### 3.4 Idle or Underutilized Property, Plant and Equipment

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
Three vehicles and 02 machines worth Rs. 1,358,214 as at the end of the year under review remained idle and underutilized over a period ranging from 05 to 09 years.	Action will be taken to repair and auction them.	Action should be taken to use by repairing those items or dispose of them.

### 3.5 Assets Management

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) The land on which the Hatharaliyadda market complex was constructed by the Sabha had not been taken over.	Action will be taken to legally take over the ownership.	The ownership should be taken over.
(b) Ownership of the land on which the Galagedara Sub-office is situated, 06 parcels of land belonging to the Arambekade Sub-office, and 08 parcels of land and 08 buildings belonging to the Sangarajapura Sub-office.	Instructions have been sought from the Commissioner of Local Government.	The ownership of the lands should be taken over.

### 3.6 Human Resource Management

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
<b>Employees' Loans</b> A loan balance totalled Rs. 758,450 related to 05 officers who had been transferred during the period 2018-2021 was not recovered.	Action will be taken to recover the loans.	Loans should be recovered.

## 4. Accountability and Good Governance

### 4.1 Budgetary Control

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
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 over 100 per cent were observed relating to 21 items of income, while variations ranging from 37 per cent to 99 per cent were observed in relation to 09 items of expenditure. Accordingly, the budget had not been made use of as an effective instrument in control.	Objectives and plans are expected to be implemented as scheduled.	The budget should be prepared with due regard in keeping with the necessities.



## 4.2 Sustainable Development Goals

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
Although the Sabha had identified sustainable development goals and targets in accordance with Sustainable Development Act No.19 of 2017, indicators had not been identified to achieve them and evaluate the progress.	Sustainable goals and targets will be identified.	Goals and targets should be achieved by identifying sustainable development indicators.