

Angunukolapelessa Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Angunukolapelessa Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial operations, statement of changes in net assets, cash flow statement for the year then ended and notes to the financial statements including material accounting policy information 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 provisions of the National Audit Act No. 19 of 2018, sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987. My comments and observations which I consider should be report to 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 Angunukolapelessa Pradeshiya Sabha as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Practices.

1.2. Basis for Qualified Opinion

I expressed qualified opinion 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 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 Section 16(1) of the National Audit Act No. 19 of 2018, 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 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 recommendations made by me regarding the financial statements for the previous year have been included in the financial statements as per the requirements mentioned of 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	Comments of the Council	Recommendation
(a)	Instalments and interest payable for the loan amount obtained from the Local Loan and Development Fund of Rs.342,246 had been under accounted.	That will be corrected in the year 2024.	Action should be taken to accurately identify and accounted for expenditure.
(b)	A received Rs.536,834 to reimbursements for arrears of salaries for the previous years was accounted as income of the year without being credited to the accumulated fund, and Rs.10,289 received in excess during the year was accounted as income without being accounted as a liability.	That will be corrected in the year 2024.	Receipts of salary reimbursements must be correctly identified and accounted for.
(c)	The recurrent expenditure of Rs.991,400 which should have been accounted as capital expenditure, thus capital expenditure was overstated.	By recording this mistake in recurrent expenditure subject and it will be corrected.	Action should be taken to accurately identify and accounted to expenditure.
(d)	The amount of Rs.1,000,000 for granted on the basis of recovery credit after court fine and stamp duty without accounted as liability and but it had been accounted as income.	That will be corrected in the year 2024.	Action should be taken to accurately identify and accounted to Income.
(e)	An unpaid court fines of Rs.390,030 from the Provincial Revenue Department for previous years were accounted as a receivable balance.	That will be corrected in the year 2024.	Action should be taken to accurately identify and accounted to Income.
(f)	Although the value of court fine proceedings relating to the previous and the year under review had been fully recovered, Rs.71,830 had been accounted as a receivable balance.	That will be corrected in the year 2024.	Action should be taken to accurately identify and accounted to receivable balance.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
There was a difference of Rs.3,329,612 between the balances related to 10 accounting subjects shown in the presented financial statements and the balances shown in the related documents/schedules.	That the difference will be corrected in the future.	The account should be corrected by comparing the differences in the respective balances.

1.6.3 Lack of Documentary Evidence for Audit

Audit Observation	Comments of the Council	Recommendation
Four accounting subjects totalling Rs.2,699,144 could not be satisfactorily checked during the audit due to non-submission of required information.	Action will be taken to corrected in the future and details of certain balances cannot be found	Evidence must be submitted to confirm the account balances shown in the financial statements.

1.7 Non- Compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non – Compliance	Comment of the Council	Recommendation
(a) Section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987	In the year 2013, 04 domains in the council's jurisdiction were declared as developed areas, but more than 10 years had passed, however action had not been taken to charged the assessment tax.	That assessment work is being done.	Action should be done according to the provisions of the Act.
(b) 571(3) of Finance Regulations of the Democratic Socialist Republic of Sri Lanka	Twenty Eight expired tender deposit balances of Rs.254,150 between 2004 and 2019 had not been properly cleared.	Clearance is problematic because of variations in deposit balances.	Action should be taken according to the Finance Regulation.
(c) Amendments made to the National Environment Act No. 47 of 1980 by Special Gazette No. 2264/18 dated January 22, 2022	Twenty two business units that need to obtain environmental protection licences, but they were not obtain so, an income of Rs.108,900 had been lost.	That was informed by letters to obtain environmental permits.	Action should be taken according to the provisions of Environment Act

- (e) Paragraph 03 of Public Finance Circular No. 05/2019 dated 27 June 2019 The distress loan of Rs.252,083 due from a deceased employee had not been recovered. That will be recovered by the death gratuity recovered Action should be taken according to the mention circular.

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 31 December 2023 .amounted to Rs.1,210,453 as compared with excess of revenue over recurrent expenditure amounted to Rs.4,421,128 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Source of Revenue	2023				2022			
	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
Assessments and taxes	852,000	1,366,805	1,391,075	6,760	802,000	747,070	781,430	31,030
rent	20,846,320	13,104,557	13,039,449	296,022	13,966,850	13,401,004	13,654,221	230,914
License fees	3,258,020	3,605,561	3,705,442	26,000	2,499,480	3,088,621	3,224,565	125,881
Other income	23,503,170	4,564,766	8,610,376	71,830	143,796,662	46,610,639	45,279,519	4,117,440
Total	48,459,510	22,641,689	26,746,342	400,612	161,064,992	63,847,334	62,939,735	4,505,265

2.2.2 Performance in Revenue Collection

Audit observations	Comments of the Council	Recommendation
Rent income of Rs.197,197 for leasing the fish shop owned by the council and Rs.2,251,757 and Rs.3,758,064 as court fines and stamp fees from the Chief Secretary of the Provincial Council had been due. .	That necessary steps have been taken to sue for shop rent and Rs.383,000 have been collected from the arrears of court fines and the arrears of court fines related to previous years are being settled	Arrears should be recovered as soon as possible

3. Operational Review

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort,

convenience and welfare of the people and amenities by the Council under Section 3 of the Pradeshiya Sabha Act are shown below.

3.1 Identified Losses

Audit Observation	Comments of the Council	Recommendation
Due to the failure to disconnect 05 Lanka Bell telephone connections, which have been inactive since the year 2020, therefore the loss had been occurred to the council fund by paying fixed charges of Rs. 500 per month and as totalling Rs.102,500. Also that had not been recovered from the responsible parties.	That in the future, such damages and losses will be rectified immediately when they are identified.	The loss to the council fund should be recovered from the responsible parties.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
In relation to 03 building plans that had been approved by the council, a total of Rs.1,199,428 had not been collected as cover approval fees, process fees, and compliance certificate fees. Moreover, although it is not possible to conduct business activities without obtaining compliance certificates, However the business activities were conducted after the completion of the construction work of the three buildings. And legal actions were not taken in this regard.	That the concerned parties were informed by letters to pay the prescribed fees to the council	Arrangements should be made to collect due fees promptly.

3.3 Assets Management

Audit Observation	Comments of the Council	Recommendation
Even at the end of the year under review, action had not been taken to take over the ownership to the legal rights of 142 lands used by the local council and also the 04 vehicles and machinery that were not specified by the by the date of acquisition.	That the necessary arrangements are being made to take over the right	Urgent steps should be taken to take legal ownership of the assets.

3.4 Delays in Project Activities or Capital work

Audit Observation	Comments of the Council	Recommendation
The annual budget allocated Rs. 35 million for the implementation of 19 road development projects, due to non-implementation, the entire allocation had been remained.	That it could not be implemented due to non-availability of provisions from the Ministry.	Development proposals earmarked in the budget should be implemented.

3.5 Transactions of Contentious Nature

Audit Observation	Comments of the Council	Recommendation
The annual budget was allocated for implementing activities during the year, however without doing those and by using Rs.1,433,077 from these allocations, other task had been perform	That in the future, budget allocations will be correctly identified and spent	Allotments allocated in the budget should be used for the relevant purpose.

3.6 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
(a) By the end of the year under review, 16 excess had not been formalised out of the 68 and 80 approved and actual members of the council, respectively.	That work is being done to formalize the excess posts	Efforts should be made to formalize excess staff.
(b) Five field workers and one substitute health worker were assigned other duties outside of approved duties. For that, in the year under review, Rs.2,058,173 had been paid as salaries and allowances.	Other duties other than approved duties are assigned on the basis of service requirement	Employees should be engaged in approved duties.