

## **Haputale Pradeshiya Sabha - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Haputale 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 operation, statement of changes in equity, and cash flow statement 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 Sabhas 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 Haputale Pradeshiya Sabha as at 31 December 2023, 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 the parties in charge of 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:

- Designed and performed the appropriate audit procedures, identified and assessed 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.
- Obtained 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 the internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluated 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 timeframes 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.

- (a) Financial statements of the Pradeshiya Sabha are consistent with the preceding year as required by Section 6 (i) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The recommendations made by me in the preceding year in accordance with Section 6 (i) (d) (iv) of the National Audit Act, No. 19 of 2018, have been included in the financial statements presented.

## 1.6 Audit Observations on the Preparation of Financial Statements

### 1.6.1 Accounting Deficiencies

	<b>Audit Observation</b>	<b>Comment of the Pradeshiya Sabha</b>	<b>Recommendation</b>
(a)	The value of the machines amounting to Rs. 3,200,201 purchased in the year under review had not been accounted.	The corrections will be done in the financial statements of the year 2024.	The accounts should be prepared correctly.
(b)	The revenue of Rs. 102,925 earned from the solar power generation system in the year under review had not been included in the statement of financial operation.	This has been credited to the general deposit account due to the inability to identify the amount properly.	-do-

## 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

	<b>Reference to laws, rules, regulations</b>	<b>Non-compliance</b>	<b>Comment of the Pradeshiya Sabha</b>	<b>Recommendation</b>
(a)	Pradeshiya Sabha Act No.15 of 1987  Section 134 (2)	The arrangements had not been made to survey the areas developed in the Pradeshiya Sabha Division after the year 2018 and to extend the assessment tax limit.	The areas to be further identified as to have been developed in the Pradeshiya Sabha Division have been identified by a survey.	The assessment tax limit should be extended timely.

(b)	Establishments Code of the Democratic Socialist Republic of Sri Lanka	Sections 1.6 and 4 of the Paragraph xxiv	The outstanding loan balances of Rs. 46,076 to be charged from 04 officers transferred and vacated the service had not been collected.	The institutions related to the collection of outstanding employee loans have been informed by letters.	The outstanding employee loans should be collected.
(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Section 104(4)	A full inspection on a vehicle subjected to an accident in May 2023 had not been conducted even by the end of the year under review.	The full report will be presented to the Auditor General immediately upon the receipt.	The proceedings should be made as per the Financial Regulations.
(d)	Public Administration Circular No.26/92 dated 19 August 1992		The State Emblem and the name of the institution had not been painted on the body of 10 vehicles.	The State Emblem and the name of the institution will be painted on the body of 10 vehicles owned by the Sabha.	The proceedings should be made as per the instructions of the Circular.

## 2. Financial Review

### 2.1 Financial Result

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 15,300,108 for the year ended on 31 December of the year under review as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. .6,993,920.

### 2.2 Revenue Administration

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

According to the information presented by the Secretary of the Sabha, 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	Estimated Revenue	2023			Total Arrears as at 31 December	2022			Total Arrears as at 31 December
		Billed Revenue	Collected Revenue	Rs.		Estimated Revenue	Billed Revenue	Collected Revenue	
(i) Assessment Tax	Rs. 2,684,474	Rs. 2,180,181	Rs. 2,512,013	Rs. 0	Rs. 1,984,474	Rs. 1,863,874	Rs. 2,333,438	Rs. 1,564,675	
(ii) Rents	6,763,336	5,103,876	10,512,628	0	5,451,610	4,103,916	5,166,888	1,709,875	
(iii) License Fee	777,600	1,495,735	1,540,769	0	1,102,300	1,232,590	616,934	-	
(iv) Other Income	13,001,300	24,812,702	24,607,292	205,410	13,846,950	18,578,896	8,130,228	12,280,773	
<b>Total</b>	<b>23,226,710</b>	<b>33,592,494</b>	<b>39,172,702</b>	<b>205,410</b>	<b>22,385,334</b>	<b>25,779,276</b>	<b>16,247,488</b>	<b>15,555,323</b>	

### 2.2.2 Performance of Revenue Collection

The observations on the performance in the collection of revenue of the Sabha are as follows

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
Three-wheeler fees of Rs. 686,735 as at 31 December of the year under review had not been collected.	The letters have been sent to collect the three-wheeler fees on the previous years.	The outstanding revenues should be collected.

## 3. Operating Review

### 3.1 Execution of tasks assigned 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.

#### The activities outside the objectives

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
104 GI pipes that had been provided in the year 2014 by the Ministry of Economic Development to establish Mechanical Units had been donated to 03 Kovils on 18 October 2021 without being used for the intended task.	It has been decided as per the decision of the Sabha to give 104 GI pipes to the outside for the religious activities.	The donations received by the Sabha should be used for the intended task.

**3.2 Informal Transactions**

<b>Audit Observation</b>	<b>Comment of the Pradeshiya Sabha</b>	<b>Recommendation</b>
The monthly allowance amounting to Rs. 94,839 that had been paid in excess to 21 public representative of the Sabha in March of the year under review had not been recovered.	The arrangements will be made to collect the further outstanding amount of Rs. 42,581.	The allowances paid in excess should be recovered.