

## **Thawalama Pradeshiya Sabha - 2023**

---

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Thawalama Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of financial position as at 31 December 2023, 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 accompanying financial statements give a true and fair view of the financial position of the Thawalama 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**

My opinion is qualified 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, 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 skepticism 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 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- Financial Statements of the Pradeshia Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

## 1.6 Audit observations regarding the preparation of financial statements

### 1.6.1 Accounting Deficiencies

	<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a)	The professional and industrial tax income which was understated in the previous year by Rs.195,320 had not been adjusted to the accumulated fund in the year under review.	The action will be taken to correct in future.	Should be accounted correctly.
(b)	The Water Bowser valued at Rs.715,713 belonging to the Sabha was not capitalized under fixed assets.	- do -	- do -
(c)	The difference between the balance of the fixed assets account and the contribution from income to capital application account was Rs.92,879.	- do -	- do -
(d)	The stamp duty income due to the Sabha by Rs.153,788 and the court fine income by Rs.166,340 at the end of the year under review had been understated.	- do -	- do -
(e)	Although the permanent staff salary expense of Rs.155,906 had been over-reimbursed, it had not been accounted as a payable balance.	- do -	- do -

- (f) In relation to the previous year, the provision had not been made for debtors of the retention amount of Rs.147,000 receivable for the development of the Opatha Volleyball Stadium. - do - - do -

#### 1.6.2 Non reconciled Control Accounts

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs.289,236 between the employee loan balance shown in the financial statements and that shown in the utility registers.	The action will be taken to correct.	Differences should be identified and accounts corrected.

#### 1.7 Non-compliances

##### 1.7.1 Non-compliance with Laws, Rules, Regulation and Management Decisions

Reference to Laws, Rules, Regulation and Management Decisions.	Non – Compliance	Comment of the Sabha	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987			
(i) Section 17(3).	31 lands owned by the Sabha remained idle.	Most of the lands where the well is located are small plots and cannot be used for other purposes.	Assets should be used effectively.
(ii) Section 134(1)	The developed areas within the area of authority of the Sabha were not identified and collection of assessment tax was not done.	The property valuation will be carried out by the Valuation Department in the near future.	It should be done according to the Act.
(b) The Paresiya Sabha 1988 (Finance and Administration) Rules 218,	All the lands and buildings owned by the Sabha were not inspected and reported once a year.	A committee has been appointed to examine the land and buildings.	Should be act according to the rules.

- (c) Southern Province, Provincial Council Financial Rules 476 and 477. The annual survey of vehicles had not been conducted. An annual vehicle survey will be conducted in the future. Should be act according to the Rules.
- (d) The Circular No. SS/03/12/05 dated 22 May 2018 of the Chief Secretary of the Southern Province. A dilapidated metal rollers parked on Sabha land with no information on value had been parked idle for over 10 years and had not been repaired or disposed. The metal rollers are still parked in the Sabha due to not being auctioned at the assessed value. Action should be done in accordance with the Circular
- (e) The letter of instruction No. 433 /5 dated 19 March 2007 of the Southern Province, Local Government Commissioner. 42 lands owned by the Sabha were not protected by building fences. The action will be taken to build fences in the future. The land should be fenced and secured.

## 2. Financial Review

### 2.1 Financial results

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.324,491 as compared with revenue over recurrent expenditure of amounting to Rs.4,258,333 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	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Tax	639,840	666,734	716,150	252,252	613,199	463,328	680,492	301,668
Rent	4,162,190	2,011,045	2,144,711	118,491	2,465,000	1,572,140	1,563,333	252,157
License Fees	395,780	541,969	541,969	8,800	489,080	260,156	260,156	8,800
Other Income	2,236,500	4,658,677	4,658,677	6,000	16,351,864	12,304,353	12,304,353	6,000
	7,434,310	7,878,425	8,061,507	385,543	19,919,143	14,599,977	14,808,334	568,625

### 2.2.2 Performance of the income collection

Audit Observation	Comment of the Sabha	Recommendation
(a) The total outstanding income was Rs.568,625 at the beginning of the year under review, and the billings for the year were Rs.7,878,425 Thus, the total revenue to be collected during the year was Rs.8,447,050, and the collection was Rs.8,061,507, leaving a balance of Rs.385,543 at the end of the year under review.	The recovery will be done after a survey of the land.	Arrears of income should be recovered.
(b) The outstanding acreage tax balance included 116 balances exceeding 03 years with a value of Rs.63,120 at the end of the year under review.	A land survey will be conducted and acreage tax will be collected.	Long outstanding balances should be collected.
(c) The court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities were Rs.116,584 and stamp fees were Rs.11,222.	The action will be taken to recover in the future.	Court fines and stamp fees receivable should be charged to revenue.

### 3. Operational inefficiencies

#### 3.1 Management inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
The information about the fuel combustion test was not mentioned in the vehicle logbook, and since the Sabha did not have the test report, fuel worth Rs.2,291,770 was provided for 05 vehicles in the year 2023 without confirming the fuel combustion.	Fuel combustion tests are being done.	Fuel should be issued for vehicles after confirming fuel combustion.

### 3.2 Operational inefficiencies

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) Although an expenditure of Rs.244,186 was incurred for the maintenance of the street lights, the written records were not kept on the supervision of the maintenance of the street lights.	A register of supervision is maintained continuously.	Supervision should be done timely.
(b) The attention of the Sabha had not been drawn to 63 institutions which had not obtained environmental license and the Sabha did not pay attention to the damage to the environment by them and did not charge Rs.283,500 license fees and Rs.189,000 inspection fees.	The license will be issued and the fee will be collected in the future.	Environmental permits should be issued.

### 3.3 Asset Management

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) The Sabha did not have the title deeds related to 41 lands valued at Rs.464,634, and the Sabha had not acquired the lands and settled the rights.	The currently appointed committee will find out whether the said land is owned by the Sabha and proceed to hand over the said land to the Sabha.	The lands owned by the Sabha should be acquired.
(b) The values of 08 lands could not be identified during the inspection of fixed assets records, and the current market value of 42 lands had not been identified and documented.	The land will be registered after a valuation.	The value should be assessed and documented.
(c) The cab costing Rs.6,390,000 given in the year 2014 had not been handed over to the Pradeshiya Sabha and although the cab had been completely damaged by a group of people on 9 May 2022 while attending the event held at Temple Trees in Colombo, the insurance compensation for this incident was not received.	The arrangements are currently being made regarding the receipt of insurance compensation for the cab.	Arrangements should be made to obtain insurance compensation.

(d) The foton tractor valued at Rs.2,655,318 received in the year 2014 remained idle since the year 2016 due to engine failure, and this vehicle had been driven for less than 1000 km.	The main reason for the delay in the maintenance work was the inadequacy of the Sabha fund.	Should be repaired and put to use.
---	---	------------------------------------

### 3.4 Deficiencies in contract administration

Audit Observation	Comment of the Sabha	Recommendation
Although the Southern Provincial Road Development Authority price rates introduced in the second half of 2023 (August) should have been used for 07 road development works, due to not using those price rates Rs. 371,728 had been over paid.	The arrangements have been made as per the Local Government Commissioner's letter dated 3/9/7 and 17 November 2023.	Appropriate rates should be used.

### 3.5 Human Resource management

Audit Observation	Comment of the Sabha	Recommendation
A receivable balance of Rs.27,111 due from 11 officers, who had served in the Sabha and retired, had not been recovered.	The loan balances are being recovered.	Receivable balances should be recovered.

## 4. Accountability and good governs

### 4.1 Internal Audit

Audit Observation	Comment of the Sabha	Recommendation
The provisions of Finance Regulations 133 and 134 of the Democratic Socialist Republic of Sri Lanka and According to the Circular No. දපප/යන/01/නා.ව.ල. dated 24 February 2014 of the Commissioner of Local Government (N.P), the internal audit duties were not performed properly, and the internal audit reports were not submitted to the Auditor General.	That internal audit reports will be submitted to the Auditor General.	Should be act as per Regulations and Circulars.



#### 4.2 **Audit and Management Committee**

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
As per the provisions of Management Audit Circular No. DMA/2009(i) dated 09 June 2009, the Audit and Management Committee meetings were held for 4 times, Rshowever the decisions were not implemented properly.	Several decisions have been implemented, and the remaining decisions will be implemented in the future.	Should be done according to the circular.