

Thihagoda Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Thihagoda 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 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 Subsection 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 Thihagoda 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 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 financial reporting process of the Pradeshiya Sabha.

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 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 skepticism 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) The Financial Statements presented 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.
- (b) 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) 8 inventory goods worth Rs. 83,160 not in the nature of fixed assets had been accounted under furniture and fittings.	The actions will be taken to rectify in future.	Those should be accounted correctly.
(b) The provision had been made for the payable expenditure of Rs. 103,040 under different creditors and for the total of Rs.3,991,188 payable for 9 industries under capital creditors.	The actions will be taken to rectify in future.	Those should be accounted correctly.
(c) A sum of Rs. 712,745 payable for the work of developing the Ellanthuduwa byroad of Uduwa East had been less accounted under capital creditors.	The actions will be taken to rectify in future.	Those should be accounted correctly.

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| (d) | A sum of Rs. 119,513 receivable for 27 billboards displayed within the Pradeshiya Sabha area, the receivable fixed deposit interest of Rs. 89,041 and the receivable court fine of Rs. 895,907 had not been accounted. | The actions will be taken to rectify in future. | Those should be accounted correctly. |
| (e) | The value of Rs. 540,894 related to 40 stock items not having a physical stock balance had been accounted under the consumer stock. | The actions will be taken to rectify in future. | Those should be accounted correctly. |
| (f) | The payable contribution for pension amounting to a sum of Rs. 133,919, the stamp duty receivable at a value of Rs. 9,878,182 and stamp duty billing amounting to Rs. 138,000 had been less accounted. | The actions will be taken to rectify in future. | Those should be accounted correctly. |

1.6.2 Non-reconciled Control Accounts or Reports

Audit Observation	Comment of the Sabha	Recommendation
There was a disparity of Rs.1, 127,360 between the balances of 02 account subjects of the financial statements and the balances of subsidiary documents / schedules related thereto.	The actions will be taken to rectify in future.	The disparities of the related balances should be compared and the accounts should be rectified.

1.6.3 Absence of written evidences for the audit

Audit Observation	Comment of the Sabha	Recommendation
9 account subjects amounting to a total of Rs. 14,005,055 could not be examined in the audit satisfactorily since the required information was not presented.	The actions will be taken to rectify in future.	The evidences that verify the account balances should be presented.

2. Financial Review

2.1 Financial Results

According to the financial statements submitted, the recurrent expenditure exceeding the recurrent income of the Pradeshiya Sabha for the year ended 31 December 2023 was Rs. 3,366,126 and the corresponding recurrent income exceeding the recurrent expenditure of the previous year was Rs. 19,271,767.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue 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.)	(Rs.)	(Rs.)
(i) Rates and Taxes	3,435,057	3,148,844	1,612,550	3,668,471	3,357,280	3,203,501	1,345,269	2,132,177	
(ii) Rents	3,625,000	2,766,977	2,855,192	76,488	4,425,000	1,984,905	2,010,530	164,703	
(iii) License Fees	1,858,000	2,110,357	2,114,157	-	1,833,000	1,791,250	1,798,650	3,800	
(iv) Other income	9,339,000	22,424,369	22,457,717	152,435	9,424,000	2,239,041	2,310,434	185,783	
	18,257,057	30,450,547	29,039,616	3,897,394	19,039,280	9,218,697	7,464,883	2,486,463	

2.2.2 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
A balance of Rs. 3,661,264 from 2620 assessment units and a stamp duty of Rs. 3,796,473 from the Chief Secretary of the Provincial Council and other authorities were to be received.	An overdue assessment amounting to Rs. 375,847 has been recovered by 05 May 2024 and the stamp duty balance receivable has been informed by the Chief Secretary's Letter No. CSS/8/4/1(iii) dated 03.01.2024.	The overdue income should be collected immediately.

3. Operating Review

3.1 Fulfilling the tasks assigned by the Act

The matters observed with regard to the carrying out of the duties that should have been attended to by the Pradeshiya Sabha in the regularization and control of the matters relating to public health, public utility services and public roads and roadways, and in bringing about the public wellbeing, amenities and welfare under section 3 of the Pradeshiya Sabhas Act were as given below.

Audit Observation	Comment of the Sabha	Recommendation
<p>Even if the compost is manufactured from the biodegradable wastes within the Pradeshiya Sabha area, non-biodegradable and electronic wastes were dumped to a private land and buried under soil as there wasn't a permanent and systematic disposal process. The actions had not been taken to implement the recommendations for non-biodegradable wastes given by the Letter No. SU/MR/PTI/SZ/B26/2011/ 2016 dated 18 February 2021 from the Deputy Director in Matara District Office of the Central Environmental Authority and to obtain the environmental protection license even by the end date of the year under review.</p>	<p>The proceedings are done as per the conditions given by the Environmental Authority.</p>	<p>The actions should be taken to get the environmental protection license.</p>

3.2 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
<p>(a) As per the provisions of the Circular No. 2022/01 dated 15 December 2022 issued by the Secretary to the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government, an advance amount of Rs. 35,000 had been paid to a certain institution on 10 October 2023 to create a website for the Pradeshiya Sabha and an agreement included with the services and conditions to be fulfilled had not been entered into with the supplier selected by the Pradeshiya Sabha according to the Pradeshiya Sabha (Financial and Administrative) Rule No. 179 of 1988. Further, although making the public services of the Pradeshiya Sabha available for the general public through online method was a main objective of the project, the online payment facilities were not given in the website that had been created.</p>	<p>The required proceedings will be done immediately.</p>	<p>The proceedings should be done as per the provisions of the Circular.</p>
<p>(b) A method had not been introduced by the Pradeshiya Sabha to regularize the unpermitted constructions being done within the Pradeshiya Sabha area without obtaining the Development License and incompatibly</p>	<p>The matter has been referred to the Urban Development Authority</p>	<p>The proceedings should be done as per the Gazette Notification.</p>

with the Planning and Development Orders /Regulations published by the Gazette No. 2235/54 dated 08 July 2021 of the Urban Development Authority and violating the limits of the buildings or to identify at the initial stage and to charge fees and to remove those by taking required actions in relation to those constructions before the completion of those constructions if such constructions cannot be done.

to obtain the required instructions.

3.3 Operational Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) The sub-divisions had been approved when the conditions imposed on sub-dividing a land located within the urban limits owned by the Pradeshiya Sabha had not been fulfilled, and the sub-divisions of another land had been approved outside the provisions stipulated in the Sections 27(1) (2) of the Gazette No. 2235/54 dated 08 July 2021.	This is a sub-division of a private land and the road system has already been prepared.	The proceedings should be done as per the Gazette Notification.
(b) The Pradeshiya Sabha had not taken actions to collect the 1 percent arrears of the fee by finding the actual selling value of the land of 03 roods and 35.10 perches that was divided and auctioned within the urban limits.	The requests have been made to get the assessment reports.	The fee should be charged immediately.
(c) Although the applications for land subdivisions had been presented by a land auction company for dividing and selling of 02 land parcels belonging to non-urban limits, the subdivision plans had been approved without issuing a development permit including the conditions to be fulfilled in relation to such development and having a verification on the fulfillment of such conditions when granting approval for the land subdivisions that had been submitted for dividing the lands. At the time of carrying out the audit examination on 23 November 2023, the advertising activities related to one of the land had been done and the sale of land lots had started. However, the one percent fee had not been charged based on the assessed sale value of the land lots or on the actual sale value of the land lots sold.	One percent fee has been paid from one land and referred for the assessment.	The proceedings should be done as per the conditions.

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| (d) | A development license had not been obtained for 09 buildings that had been constructed or were being constructed within the urban limits belonged to the Pradeshiya Sabha area (Before declaring the area belonged to Thihagoda Pradeshiya Sabha as an urban area by the Extraordinary Gazette No. 2302/20 dated 19 October 2022) outside the provisions of Section 28(1) of the Gazette Notice No. 2235/54 dated 08 July 2021 included with the Planning and Development Orders/Regulations of the Urban Development Authority, and those constructions had been done incompatibly with the plans and development orders. | A discussion was held with the relevant institutions and the required steps will be taken by doing a site inspection. | The proceedings should be done as per the Gazette Notification. |
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3.4 Human Resource Management

Audit Observation	Comment of the Sabha	Recommendation
The duties had been assigned to 08 primary grade workers serving in the Pradeshiya Sabha without assigning the proper duties applicable to the post, and a sum of Rs. 3,296,622 had been spent on that from the Pradeshiya Sabha Fund within the year under review.	The said error will be rectified after filling the vacancies.	The duties relevant to the post should be assigned.