

Kamburupitiya Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kamburupitiya Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of financial position as at 31 December 2023, Income and Expenditure Account, Statement of changes in net assets, Cash Flow Statement for the year 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 Kamburupitiya 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, 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 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 financial statements presented includes the recommendations made by me in the previous year as per the requirement 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 Sabha	Recommendation
(a) At the end of the year under review, the employee loan balance of Rs.244,400, miscellaneous stock balance of Rs.109,237, the balance to be paid to the Local Government Service Pension Contribution Fund of Rs.65,737 and the assessment tax arrears balance of Rs.56,658 had been understated and the interest receivable of two fixed deposits had been accounted more as Rs.3,440,754.	That will be corrected.	Should be accounted correctly.
(b) In respect of 04 heads of income, earlier received Rs.145,227 had been accounted as income in the year under review.	That will be corrected.	Should be accounted correctly.
(c) Provisions had not been made under various creditors for Rs.58,127 and also additional provision of Rs.403,539 had been made for industrial creditors	That will be corrected.	Should be accounted correctly.
(d) The interest receivable of two fixed deposits of Rs.1,263,277 had not been accounted.	That will be corrected.	Should be accounted correctly.

1.6.2 Non-reconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
There was a difference of Rs.14,473,421 between the balances related to 02 accounting subjects shown in the financial statements and the balances shown in the related documents/sub-documents.	That will be corrected	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 Sabha	Recommendation
Due to non-submission of necessary information, five accounting subjects totalling Rs. 16,809,116 could not be satisfactorily checked during the audit.	Individual files and schedules 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.	Comments of the Sabha	Recommendation
Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka		
(a) F.R.103 and 104	In the monthly Shaba meeting held on 12 th January 2021, it was decided to cut off the shortage of goods of Rs.80,121 identified in the 2020 annual Physical	That the report will be submitted to the audit as soon as possible. Action should be taken according to the Financial Regulation.

Verification without proceeding according to the Financial Regulations.

(b) F.R.371

An advance of Rs.341,000 had been taken by the Secretary of the Shaba for the capacity development training program outside of the Financial Regulations.

By correcting all the observations indicated, all future procurement activities will be carried out in accordance with the Pradeshiya Sabha (Finance and Administration) Rules, 1988 and the Procurement Guidelines, 2006.

Action should be taken according to the Financial Regulation.

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 amounted to Rs. 1,469,241 as compared with excess of revenue over recurrent expenditure amounted to Rs.1,662,212 in the preceding year.

2.2 Revenue Administration

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

Source Of Revenue	Estimated Revenue	2023			Estimated Revenue	2022		
		Revenue Billed	Revenue Collected	Arrears as at 31 December		Revenue Billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	4,270,000	3,095,961	2,756,975	5,853,303	3,243,280	7,426,909	3,671,984	5,514,317
Rent	9,266,800	9,974,533	12,335,479	3,964,191	8,204,800	9,004,009	6,767,122	6,325,137
License fee	1,286,500	1,429,581	1,431,881	36,000	1,018,500	1,391,990	2,229,813	38,300
Other Revenue	27,912,000	22,416,817	22,602,742	-	1,055,000	26,382,554	26,906,202	185,925
	42,735,300	36,916,892	39,127,077	9,853,494	13,521,580	44,205,462	39,575,121	12,063,679

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
(a) At the beginning of the year, the outstanding assessment tax balance was Rs.1,309,064 and in relation to 1531 assessment units, the billings during the year were Rs.1,364,994 and Rs.2,674,058 should have been collected. Due to the total receipts during the year being Rs.1,448,656, there was an outstanding balance of Rs.1,225,402 at the end of the year.	As at 31 st March 2024, an amount of Rs.138,849 has been recovered and the amount of Rs.1,086,015 will be recovered in the future.	Arrears should be recovered as soon as possible.
(b) There were 231 shops owned by the council and 66 shops had arrears of income Rs. 3,726,430. There had been outstanding balances of more than Rs.100,000 related to 06 shops.	That an amount of Rs.506,693 has been recovered and that the remaining outstanding amount is being recovered.	Arrears should be recovered as soon as possible.
(c) According to paragraphs 04 and 05 of the Southern Province Local Government Commissioner's Circular No. දපපා/පපාකො/2010/01 dated 27 December 2010, the key money of Rs.125,000 had not been recovered from 10 shops belonging to 05 shopping malls respectively and the agreement of shop no. 06 on the ground floor of the new mall owned by the council had not been updated.	That it has been informed by letters to recovered key money and had been informed to update agreements.	Action should be taken according to the circular.
(d) Rs.589,938 for court fines from the Chief Secretary of the Provincial Council and other authorities and Rs.15,755,647 should have been received for stamp duty.	That as of March 31, 2024, stamp duty amounting to Rs.8,249,188 has been collected and the remaining amount will be collected in the future. And that the court fine balance has recovered.	Arrears should be recovered as soon as possible.

3. Operational Review

3.1 Performance of functions assigned by the Act

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.

Audit Observation	Comments of the Sabha	Recommendation
(a) As per section 126 (viii) of Pradeshiya Sabha Act No. 15 of 1987, by the end of the year under review, interim constitution had not been enacted to approve plans and take action related to illegal constructions in relation to the constructions in the non-urban limits belonging to own by the council.	That the observations are accepted.	Action should be made to prepare by - laws.
(b) The council does not adopt a formal system to properly dispose of the perishable and non- decomposable garbage collected daily in the council area and it was observed that the decomposable waste is dumped in Kamburupitiya weekly fair area and the non- decomposable waste in the old crematorium area.	That the collection of garbage at the fair area has been minimized, and that non-decomposable has been disposed of formally by take to the Monrovia garbage yard.	A formal waste management system should be introduced.

3.2 Transactions of Contentious Nature

Audit Observation	Comments of the Sabha	Recommendation
Contrary from the provisions of the Establishment Code, Finance Regulations and Circulars, Rs.150,900 had been paid to external parties in the previous and reviewed years for providing transportation facilities for the officers of the council to attend the annual conference of the Provincial Management Service Officers Association.	That the approval of the Secretary to the Governor of the Southern Province and the Chief Secretary of the Southern Province has been received.	Action should be taken accordance with the Establishment Code, Financial Regulations and provisions of Circular.

3.3 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) During the period from 2016 to 2020, 407 building applications had been approved and between 3 and 7 years had passed since building development permits were granted, but only 35 buildings had received compliance certificates.	At present, in the approval of building plans, as a main condition, it is being done to notify that compliance certificates must be used after obtaining them.	Action should be taken according to the Act.

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| (b) | Contrary from the Sections 4(1) and 28(1) of Part II of Gazette Notice No. 2235/54 dated 08 th July 2021 containing Urban Development Authority Planning and Development Orders/Regulation at 2021, The land of 01 acres 15.20 perches called Kanattawatta or Katalagahawatta Putugahakoratuwa in the Mapalana area was divided and sold without a development licences in the year 2021 There were also 04 buildings that were newly constructed or under construction within the urban limits of the council area without a development licences respectively. | It had been inform that the deficiencies have been completed and resubmission of the application. | Action should be taken according to the Gazette. |
| (c) | In relation to 10 plots of land sub-divided and sold between the year 2018 and 30 June 2023, a fee of 1 percent was charged on the temporary assessment value or the expected sale value given by the seller and the council had not taken steps to collect the money of 1 percent to be charged on the actual sale value of the land plots sold. | That the actual sales value will be obtained and the arrears will be recovered in the future. | Action should be taken according to the Act. |

3.4 Procurement Management

Audit Observation	Comments of the Sabha	Recommendation
In relation to procurements in terms of 2.11.3 (a) of the Procurement Guidelines, Although records related to procurement meetings held related to procurement should be maintained, the decision records related to 23 procurements worth Rs.1,694,409 made by the council in the year under review had not been maintained by the council.	In order to avoid such evasions in the future, efforts have been made to inform the relevant officials.	Procurement guidelines should be followed.

3.5 Defects in Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
(a) During the development of 2 roads that had been completed at a bill value of Rs.324,835, When paying for the removal of 208.45 cubic meters of soil on the road, the Southern Provincial Road Development Authority did not use the rates introduced in 2022 under	That the query has not been answered by the technical officials.	Appropriate rates should be used.

E1-027 for cutting soil using machines. And due to using the rates introduced to perform the work by employing human labour under E1-003, Rs.259,040 had been overpaid to the contractor.

- (b) For development of 03 roads and drains, Rs.297,255 had been spent. And while preparing the estimates, the Southern Provincial Road Development Authority did not use the rates that had been introduced under E1-027 and DR-005A to carry out the work using by machines. Further Rs.167,000 more was estimated for payment using the rates introduced under E1-003 and DR-001 for doing the work using human labour. That the query has not been answered by the technical officials. Appropriate rates should be used.
- (c) In fulfilling the work subject No. 01 in relation to 02 industries implemented by the council in the years 2022 and 2023 on the council fund allocation, When the council makes payment for cutting the soil using by machines, and due to use rate of human labour for road foundations and road shoulders introduced under E1-001 by the Southern Provincial Road Development Authority's an amount of Rs.495,850 had been overpaid to the contractor for cutting 191.55 cubic meters of soil. Further for the payment of laying and fitting soil for above mention road, although the Southern Provincial Road Development Authority should have used the rate introduced under EW-003A to make payment for soil crushing using motor grader and roller, but using EW-004 and EW-006, the contractor had been overpaid Rs.102,418. That the query has not been answered by the technical officials. Appropriate rates should be used.
- (d) In relation to the construction of the side wall under the construction work subject No. 06 of the construction of the side wall of the drain adjacent to the proposed site for the construction of the fish stall in the public market, as That the query has not been answered by the technical officials. Appropriate rates should be used.

a payment for the preparation of 87.60 square meters of shuttering using second class wood planks, Southern Provincial Road Development Authority had paid Rs.297,858 to the contractor using the rate introduced under ST-057 in September 2022 at the rate of Rs.3,394.50 per square meter. Plywood boards were used for the shuttering and accordingly in making the payment for the shuttering, Although payments should have been made using the rate Rs.1,439.00, which was introduced under Ct-36, according to the price schedule of building department submitted by the Southern Province Engineering Services Office on 22 August, 2022 and also due to using ST-057 rate instead of that rate, the contractor was overpaid Rs.171,302 at the rate of Rs.1,955.50 per square meter.

- (e) In the payment for the construction of fish planks shuttering in the fish stalls construction at the Pradeshiya sabha fairgrounds under subject number 06, It had been paid Rs.169,386 for 49.90 square meters of timber using the rate of Rs.3,394.50 introduced by the Southern Provincial Road Development Authority under ST-057 in September 2022 for making timber planks using second class wood planks. For shaping the Plywood boards were used, payments should have been made using the rate of Rs.1,439.00 which was introduced under the building rate Ct-36 presented by the Southern Province Engineering Services Office on 22nd August 2022, but Due to using ST-057 rate instead of that rate, the contractor had been overpaid of Rs.97,579 as Rs.1,955.50 per square meter.
- That the query has not been answered by the technical officials. Appropriate rates should be used.

3.6 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
The debt balance of Rs.214,341 due from 17 employees who worked, transferred, left and died in the council remained uncollected for many years.	That will be recovered in the future.	Action should be taken to settle Debt balances.