

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ja-ela Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement for assets and liabilities as at 31 December 2023 and statement for comprehensive income, statement of changes in net assets/equity and 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 Sabha Act No.15 of 1987 and the provisions of the National Audit Act No.19 of 2018. My comments and observations which I consider should be reported 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 Ja-ela Pradeshiya Sabha as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with the Sri Lanka Public Sector Accounting Standards for Local Authorities.

1.2 Basis for Qualified Opinion

My opinion is qualified based on 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 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 Sri Lanka Public Sector Accounting Standards for Local Authorities and for such internal control as management determines 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 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 of the Sabha.

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the 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 judgement and maintain professional scepticism throughout the audit. I also

- Appropriate audit procedure were designed and performed identify and assess 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
- An understanding of internal control relevant to the audit was obtained 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 Pradeshiya Sabha's 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 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 discussions 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 time frames and in compliance with the applicable laws.

1.5 Report on the other legal requirements

The special provisions had been inserted in the National Audit Act No.19 of 2018 in relation to the under-mentioned requirements.

- The financial statements of the pradeshiya sabha are consistent with the preceding year as per the requirement of the section 6(1)(d)(iii) of the National Audit act No. 19 of 2018 .
- The recommendations made by me in the preceding year as per the requirement indicated in the section 6(1)(d)(iv) of the National Audit act No. 19 of 2018 had been included in the financial statements forwarded.

1.6 Audit Observations on Preparation of the Financial Statements

1.6.1 Non-compliance with Sri Lanka Public Sector Accounting Standards for Local Authorities

	Non-compliance with the reference to relevant standard	Comments of sabha	Recommendation
(a)	In accordance with Standard No.3.28 and EG 6.2 of explanations and guidelines of its Appendix 2, the audit was unable to reveal what value of Rs. 180,879,410 adjusted to the surplus in calculation of the cash flows from the operating activities. Furthermore, the difference of Rs.28, 764,219 which was the difference of the non-current assets had been adjusted to the surplus and decrease of stocks and difference of short-term payables had been understated by Rs. 23,535,433 and Rs.14, 734,865 respectively.	Accepted.	The action should be taken as per relevant Act.

- (b) As per Standard No.3.29 and EG 6.3 of explanations and guidelines of its Appendix 02, an investment in fixed deposits of Rs. 50,000,000 and withdrawal of fixed deposits of Rs. 20,551,782 had not been considered in the year under review in calculation of the cash flows from the investing activities.
- Do- -Do-

1.6.2 Accounting Deficiencies

Audit Observation	Comments of the sabha	Recommendation
(a) When rectifying an amount of Rs.165, 100 capitalized under the machines in the year under review, since it had been adjusted to the expense and machines account again, the expense had been overstated and the value of machine had been understated by the same amount.	Accepted	The action should be taken to rectify.
(b) In the preparation of the statement for comprehensive income, capital expenditure grants of Rs. 42,375,739 received in the year under review had been shown under other comprehensive income of Rs.145, 828,208 including the capital expenditure grants of Rs. 103,452,469 which had been received in in 2020 but not accounted instead of showing under other comprehensive income.	Rs.103, 452,469 had been rectified in the final accounts on 31.12.2023 and therefore, total amount is Rs. 145,828,208.	-Do-

1.6.3 Unreconciled Control Accounts or Reports

	Audit Observation	Comments of Pradeshiya sabha	Recommendation
(a)	An unreconciled difference of Rs. 10,466,481 had prevailed between the balances of 02 accounts in the schedules submitted with the financial statements and the financial statements in the year under review.	The action will be taken to rectify.	The action should be taken to rectify having found the reasons for difference.
(b)	Even though it was observed a non-reconciliation of Rs.1, 268,062 between the balances of the cash book as at 31 December 2023 the cash balance which had to be rectified in the bank reconciliation prepared on that date, no identification had been carried out in relation to that.	The action will be expeditiously taken to rectify this balance.	-Do -

1.6.4 Lack of Documentary Evidence for Audit

	Subject	Amount Rs.	Audit evidence not provided	Comments of the sabha	Recommendatio n
(i)	Gampaha Private Bus Company	31,690	Schedules Age Analysis	The relevant documents had been sent to the Local Government Commissioner for the rectification.	The action should be taken to submit the relevant schedules.
(ii)	Assets Sales Account	3,138,130	-Do-	-Do-	-Do-
(iii)	Chairman's Vehicle	10,403	-Do-	-Do-	-Do-
(iv)	Penalty Account	27,282	-Do-	-Do-	-Do-

(v)	Outstanding Electricity Fees Account	2,193,449	-Do-	-Do-	-Do-
(vi)	Employee Surety Account	15,000	-Do-	-Do-	-Do-
(vii)	Receivable Industry Tax	29,015	-Do-	-Do-	-Do-
(viii)	Other Outstanding Revenue	857,787	-Do-	-Do-	-Do-
(ix)	Prepayments	944,932	Schedules	-Do-	-Do-
(x)	Suspense Account	236,425	-Do-	-Do-	-Do-

1.7 Non-Compliance

1.7.1 Non-compliance with the laws, rules, and the management decisions

Reference to laws, rules and regulations	Non-compliance	Comments of the sabha	Recommendation
Section 38(2) of Chapter VII of the National Audit Act No.19 of 2018	A copy of review to be carried out by the Chief Accounting Officer had not been submitted to the Auditor General in writing that an effective internal control is maintained for the financial control and the alterations required for carrying out the system in an effective manner having performed the review from time to time on the effectiveness of that system.	The necessary action had been taken for this matter and the necessary alterations had also been taken to formalize it. The steps will be taken to submit the relevant reports for your attention in the future.	The action should be taken as per relevant Act.

2. Financial Review

2.1 Financial Results

As per the financial statements submitted, the income exceeding the expenditure of sabha was Rs.108, 925,589 for the year ended 31 December 2023 and correspondingly, the income exceeding the expenditure was Rs.22, 041,963 in the preceding year.

2.2 Income Administration

2.2.1 Estimated Income, Billed Income, Collected Income and Outstanding Income

In accordance with the information submitted by the Secretary, the information on estimated income, billed income, collected income and outstanding income is as follows.

Income Source	2023				2022			
	Estimate Income	Billed Income	Collected Income	Total Outstanding as at 31 December	Estimated Income	Billed income	Collected income	Total outstanding as at 31 December
	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Assessment	56,892	67,148	81,695	31,024	54,643	57,370	61,263	32,925
Tax and other tax								
Rents	23,174	22,944	20,468	38,671	28,130	22,137	11,299	36,195
License Fees	1,067	1,748	1,748	-	1,324	1,324	1,324	-
Other Income	730	200	163	50	780	50	38	13
	81,863	92,040	104,074	69,745	84,877	80,881	73,924	69,133

2.2.2 Income Collection Performance

Audit Observation	Comments of the sabha	Recommendation
(a) Since 112 percent of the total estimated income had been billed and 127 percent of the total estimated income had been collected, it is not realistic to estimate the total income.	In the future, it will be able to rectify.	The action should be taken to accurately assess and bill the income.

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| (b) | An outstanding amount of Rs. 2,049,135 related for a period of time from 03 months to 47 months had not been recovered for 32 shops on which the payments had not been properly of Kadana Shopping Complex. | The relevant action is being taken to recover the remaining amount. | The action should be taken to recover the outstanding. |
| (c) | The action had not been taken to recover the outstanding shop rents of Rs. 3,947,680 for a period from 02 months to 39 months to be recovered from 14 shops in Ragama Public market Complex or take over such shops and outstanding amount of Rs. 13,324,216 had not been recovered for a period from 03 months to 39 months from 49 months. | It had been referred to send the letter of demand for 35 lessees who do not pay the shop rents. | -Do- |
| (d) | As per the survey carried out on the property under Industry Tax and business Tax for 2023, no survey reports had been prepared including the information in terms of Rules 296 and Rules 297 on Accounting related to Pradeshiya Sabha Financial Administration. | The action will be taken to include such information into the license survey in 2024. | The survey reports should be prepared as per Rules. |
| (e) | No survey had been carried out on the advertising boards exhibited in Ragama, Nivandagama and other relevant area. | The action will be taken to include the advertising fees into the report in 2024. | The survey reports should be prepared. |

3. Operating Review

3.1 Discharging the functions entrusted by the Act

Audit Observation	Comments of sabha	Recommendation
(a) No by-laws had been prepared to charge fees from the fitness centre by Dadugama Sub Office.	The action will be taken to prepare it in due course.	The action should be taken to prepare the by-laws.

- (b) Even though the Garbage Tax income of Rs. 1,705,450 up to 31 October 2023 by Dadugama Sub Office, no agreements had been entered into with the relevant institutions for the collection of tax having carried out a survey on the all institutions which run businesses in the sabha area. The necessary action will be taken to enforce Garbage Tax by identifying through a survey in 2024. The action should be taken to enter into the agreements with the relevant institutions after carrying out a survey on the all institutions which perform the business activities.

3.2 Management Inefficiencies

	Audit Observations	Comments of the sabha	Recommendation
(a)	From 2018 and 2019, an amount of Rs. 716,231 to be received from Ja-ela Divisional Secretariat had not been recovered.	Accepted.	The action should be taken to recover the all receipts to be recovered.
(b)	In accordance with part “d” of the gazette notification 2264/18 dated 27 January 2022, no survey had been carried out for the institutions to be obtained the environmental licenses for 2023 and no action had been taken to issue the environmental licenses again for 92 institutions after expiry of the valid period of the license.	These institutions will be identified for the survey related to 2024.	The action should be taken to identify the institutions which should obtain the environmental licenses having carried out a survey.

3.3 Operating Inefficiencies

	Audit Observations	Comments of the sabha	Recommendation
(a)	Even though it had been informed to the bidder to enter into agreement for minimum tender amount of Rs. 702,000 for leasing the vehicle park located in Ragama, later it had been contracted with the bidder for an annual amount of Rs.200, 000. Therefore, Rs.502, 000 had lost when comparing with the minimum bid.	It had not been received an approximate value to minimum bid amount.	It should be rented out to such assessment value based on the government valuation.

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| (b) | Even though Ragama weekly fair had been provided on the lease basis to the old lessee itself on a sabha decision without calling tenders for lease of Ragama weekly fair for 2019, no agreement had been entered into and an amount of Rs. 3,902,730 to be recovered from the lessee up to 2019 had not been recovered even up to 31 December in the year under review. | The requests had been made to set off the lease rentals and reduce the assessment values. | It should be taken action to recover the outstanding. |
| (c) | Even though it had been decided to seal 02 Ragama meat stalls and Kadana meat stall without entering into agreements by tenderers in 2021 after 08 August 2023, it was unable to perform like that. | The all slaughter house tenders had been cancelled on the approval of the general meeting. | It should be tendered and entered into agreements having taken over the meat stalls without agreements. |
| (d) | An amount of Rs. 2,128,375 in relation to 05 properties tendered for 2023 and an outstanding amount of Rs. 2,777,437 with regard to 03 meat stalls in the preceding years belonging to sabha had not been recovered. | It had been referred to take legal action. | The action should be taken to recover the outstanding. |

3.4 Procurement Management

Audit observation	Comments of the sabha	Recommendation
Contrary to guidelines 2.3.2(b) and (c), 2.4.1, 2.6.1(a)(ii), 2.11.1(b), 2.12(a), 2.14.1 , 4.2.2(b), 5.6.1(a) and (c) of the Government Procurement Guidelines 2006 and 7.11.1 of the Procurement Manual, an amount of Rs.2,071,090 had been paid for installation of C.C.T.V. system.	The action will be taken to rectify in the future.	The action should be taken as per the Procurement Guidelines.

3.5 Deficiencies in the Contract Administration

Audit Observation	Comment of the sabha	Recommendation
18 projects value of Rs.54, 736,687 had been commenced in 2023 and it couldn't be verified whether each project had been completed in the relevant period of time owing to not indicating the project period under conditions No. 3 of relevant agreements of said projects.	The action will be taken to accurately complete such incidents in due course.	The conditions should be accurately included.

3.6 Human Resources Management

Audit observation	Comments of the sabha	Recommendation
There were 31 vacancies in the cadre related to 11 posts within time frame 05 to 10 years as per the details of the cadre as at 31 December 2023 of the sabha.	The activities of the sabha are still being carried out with these vacancies. It is informed that such duties are covered from the officers and employees served in the service without impact to the efficiency of the daily duties.	The action should be taken to fill the vacancies.