

Padawi Sripura Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Padawi Sripura Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and statement of financial operations, 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 sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and National Audit Act No. 19 of 2018. 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 Padawi Srpura 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 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 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 includes 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 all 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) The value of the submersible 4 horse power motor and pump purchased at a cost of Rs.486,450 was not capitalized.	It will be corrected in the future	Accounts should be correctly prepared.

- (b) The amount of tax withheld by the bank on fixed deposit interest was not calculated and disclosed in the accounts. Due to this, the income and expenditure of the year were understated. It will be corrected in the future - Do -
- (c) The items worth Rs.507,330 received as donations were not accounted for. It will be corrected in the future - Do -

1.6.2 Unreconciled Control Accounts or Records

Subject	Value as per Financial Statements (Rs.)	Value as per corresponding reports (Rs.)	Difference (Rs.)	Comments of the Sabha	Recommendation
Arrears Shop rent	51,753	7,800	43,953	The books of accounts will be maintained correctly in the future	Records should be maintained properly.

1.6.3 Documentary Evidences not made available for Audit

	Subject	Amount Rs.	Unsubscribed Audit evidences	Comments of the Sabha	Recommendation
(a)	Land and Buildings	136,154,756	Documents confirming ownership, survey plans	Land and Buildings - Documents required for acquisition of legal title have been submitted to Padavi Sripura Divisional	Accurate information related to account subjects should be submitted.

Secretariat

(b)	Water storage	1,524,081	Stock registers, balance list	Accurate information will be presented	- Do -
(c)	Revenue debtors	11,815,086	List of individual balances, Age analysis	Accurate information will be presented	- Do -
(d)	Arrears water bills	743,937	List of individual balances,	Accurate information will be presented	- Do -
(e)	Expenses Creditors	10,454,717	List of individual balances, Age analysis	Accurate information will be presented	- Do -

1.7 Non- Compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Non-compliance with Laws, Rules, Regulations and Management Decisions etc. are as follows

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987			
(i) Section 24	The constructed roads owned by the council were not inventoried and all those roads were not gazetted.	All this will be completed and gazetted in the future	The provisions of the Pradeshiya Sabha Act should be followed.
(ii) Section 119	There were no by-laws enacted for the regulation of Weekly fair.	By-laws will be enacted in the future	Pradeshiya Sabha Act should be followed.

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| (iii) | Section 126 | There were no by-laws enacted to generate new income in the Sabha | In the future, by-laws will be enacted with specific plans and by-laws that can generate more new income will be enacted. | - Do - |
| (iv) | Section 134 | The developed areas within the Sabha are of authority were not identified from time to time, collected assessment and taxes. | Assessment reports will be called and assessment taxes will be imposed immediately in the future | Pradeshia Sabha Act should be followed. |
| (v) | Section 159 | Arrears of Rs.955,241 due at the end of the year under review had not been recovered. | The arrears of revenue will be recovered immediately. | - Do - |

(b) Local Authority Finance and Administration Rules, 1988
(i) Rule 193

Statements showing the reasons for surplus and deficit comparing the actual expenditure of the expenditure subjects with the budget and supplementary standard expenditure were not submitted with the accounts.	It will be corrected in the Final account 2024.	According to the financial and administrative rules of the local Authorities, should be dealt with.
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| (ii) | Rule 218 | The land and buildings costing Rs.136,154,757 were to be inspected but it was not act accordingly. | It will be corrected in the future | According to the financial and administrative rules of the local Authorities, should be dealt with. |
| (c) | Stamp Duty Special Provisions Act No. 12 of 2006 | Although the stamp duty collected from the salary should be sent to the Inland Revenue Department before the 15th of the following month, in relating to the stamp duty worth Rs.33,425, which has been deducted from the salary from the year 2019 to December 2023, it was not done accordingly | It will be corrected soon | It should be complied with the Stamp Duty Special Provisions Act. |
| (d) | Circular No. 04/1994 of the Secretary to the Ministry of Justice and dated 18 February 1994 | Although every executive officer is required to declare his assets and liabilities annually, it was not act accordingly. | It will be done in the future | The circular provisions should be followed. |

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 2023 amounted to Rs. 1,946,727 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 713,438 in the preceding year.

2.2 Revenue Administration

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

According to the information presented by the Secretary of the Sabha relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

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. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Rent	700	647	640	51	600	566	566	44
License fee	500	746	740	167	675	549	549	161
Other revenue	<u>12,000</u>	<u>15,127</u>	<u>14,383</u>	<u>1,307</u>	<u>10,000</u>	<u>8,463</u>	<u>8,028</u>	<u>563</u>
Total	<u>13,200</u>	<u>16,520</u>	<u>15,763</u>	<u>1,525</u>	<u>11,275</u>	<u>9,578</u>	<u>9,143</u>	<u>768</u>

3. Operational Review

3.1 Performance

Audit Observation	Comments of the Sabha	Recommendation
(a) Although one of the main functions of the Pradeshiya Sabha is to regulate the land development activities carried out in the area, only one development permit was issued for the year 2020 and 2021, none for the year 2022, and only one development permit was issued for the year 2023. However, it was confirmed that these works were not properly regulated as no	It will be corrected in the future	Construction of buildings should be properly regulated.

unauthorized construction was reported in the area of authority.

- (b) The Sabha did not have a proper plan for solid waste management. However, in the year 2022, garbage bins had been purchased at a cost of Rs.959,820 to separate the garbage in the city, but the tractor's trailer was not divided in such a way when collecting the separated garbage, and the separated garbage mixed again, so the effort used for that had failed.
- It will act as per the requirement
- Solid waste management should be done properly.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
A large sum of money was held at the end of every month from January to December 2023 in the Bank of Ceylon current account owned by the Sabha. This was observed as financial management inefficiency. If this amount had been invested in a fixed deposit account, an income of Rs.617,490 could have been earned according to the prevailing interest rate, but it was not done accordingly.	I am kindly informed that the fixed deposit of Rs.1505763.84 is maintained under the local council and the balance in this Bank of Ceylon current account number 6635422 is maintained for the purpose of emergency purchases (water pumps etc.).	Revenue administration, financial management should be done properly.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) No systematic procedure was followed to settle the advance balance of	Since many years there is a balance in the advance account, a balance in the contract deposit and a balance in the various deposit accounts, and action will be taken to resolve these	Advances should be settled properly.

Rs.388,148. in an orderly manner, by having discuss in the management committee meeting and the audit management committee meeting.

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| (b) | The carried forward contract deposits amounting to Rs.3,256,708 had not been released or properly dealt with. | It will act correctly in the future | Contract controls should be implemented properly. |
| (c) | Various deposits worth Rs.1,745,236 had not been identified, settled or taken into revenue. | It will be corrected in the future | Deposit accounts should be properly maintained. |

3.4 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
As per Asset Management Circular No. 02/2017 dated December 21, 2012, 05 vehicles costing Rs.18,009,050 not belonging to the Pradeshiya Sabha were not taken over during the year under review.	The acquisition will be carried out immediately	Asset management should be done properly.

3.5 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
(a) There were 18 vacancies in 11 posts considering the approved staff and the actual number of employees in the Sabha.	The relevant departments have been informed to take action in this regard	Vacancies should be filled.

(b) The officers/employees who are required to post bail had not arranged to post bail as per Eastern Province Financial Circular PT/03/2021.	No answers provided.	Circular provisions should be followed
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4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Sabha	Recommendation
The Sabha had established an internal audit unit and no internal audit programs had been introduced during the year under review. Also, an internal audit plan had not been prepared and approved by the National Audit Office.	It will be corrected in the future	Internal audits should be formalized.

4.2 Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
According to the budget prepared for the year under review, when comparing the estimated income and expenditure with the actual income and expenditure, a variation was observed from 13.97 percent to 818.33 percent in 06 revenue subjects and from 11.66 percent to 78.92 percent in 05 expenditure subjects, Hence budgeting was not used as an effective control tool.	No answer provided.	The budget should be prepared realistically.

4.3 Environmental issues

Audit Observation	Comments of the Sabha	Recommendation
Due to the non-compliance with the amendments made to the National Environment Act No. 47 of 1980 and the re-mixing of classified and collected garbage and releasing them freely into the environment, during floods and heavy rains, irregularly disposed garbage gets mixed with waterways, causing harm to aquatic life as well as wild animals and Humanity had to face environmental problems.	Action will be taken so as to minimize the damage to the environment.	Waste management should be implemented properly.