

Kegalle Pradeshiya Sabha - 2023

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Kegalle Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the comprehensive income statement, cash flow statement, statement of changes in equity, significant accounting policies and the summary of other explanatory 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 the 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, because of the significance of the matters described in paragraph 1.6 of this report the financial statements do not give a true and fair view of the financial position of the Kegalle Pradeshiya Sabha as at 31 December 2023 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report in respect of 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 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 the 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

Those charged with governance are responsible for overseeing the financial reporting process of the Pradeshiya Sabha. 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 its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

1.4 Scope of Audit (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 misstatements, 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 a part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also,

- Appropriate audit procedures were designed and performed identify and asses the risks of material misstatements in financial statements whether due to fraud or error 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 an 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 procedure that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the 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 discourses, 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:

The scope of audit has also been widened to examine the following as far as possible and whenever necessary.

- 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 compiled 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 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

- (a) As per requirement mentioned in Section 6(1) (d) (iii) of the National Audit Act No. 19 of 2018, the financial statement of the Pradeshiya Sabha is corresponded with financial statements of the previous year
- (b) The recommendations made by me during the previous year are included in the financial statements as requirement by Section 6 (i) (d) (iv) of the National Audit Act No. 19 of 2018 except observations (e) and (f) in paragraph 1.6.1 of this report.

1.6 Audit Observations on Preparation of Financial Statements

1.6.1 Deficiencies in presentation of accounts

Audit Observation

Although Rs.123,000 had been spent for litigation fees, it had not been disclosed in the financial statements.

Comments of the Council

That there is a case in the District Court.

Recommendation

Actions should be taken to disclose regarding cases in the financial statements.

1.6.2 Accounting deficiencies

Audit Observation

- (a) Land and buildings had not been valued and shown in the financial statements.

Comments of the Council

Accepted Actions are taken to include.

Recommendation

Actions should be taken to value Land and buildings and show in the financial statements.

- (b) The value of 03 completed industries amounting to Rs.1,875,027 had not been accounted for.

Actions are taken to account.

Actions should be taken to prepare accounts properly.

- (c) As on 31 December, 2023, the drug store balance of Rs.1,064,956 had been omitted from the financial statements.

Actions will be taken to include in the financial statements of the coming year.

-Do-

- (d) Rs. 75,908 had been retained in the deposit account due to the pension department In the year 2015.

Action will be taken to settle in the year 2024.

-Do-

1.6.3 Reconciled control account

Audit Observation	Comments of the Council	Recommendation
(a) There was a difference of Rs. 13,314,423 between the balances of 11 objects as per the schedule as on 31 December, 2023 and the fixed assets register on that date.	Actions will be taken to correct in the future	Actions should be taken to correct the balance.
(b) According to the financial statements of 02 accounting subjects on 31 December 2023, there was a difference of Rs. 1,067,033 between the balances and the Board of survey reports on that day.	-Do-	Do-

1.6.4 Absence of written evidence required for audit

Audit Observation	Comments of the Council	Recommendation
(a) The fixed asset documents and schedules had not been submitted for 05 accounting objects totalling Rs.67,957,743.	The relevant documents and schedules have been attached.	Actions should be taken to submit the fixed asset documents and schedules.

1.7 Non-compliance

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

Reference to laws, rules, regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a) Financial Regulation 119	Surcharges of Rs.19,200 imposed from the Employees' Trust Fund had not been collected from the responsible officials.	Actions will be taken to settle promptly in the future.	Money Actions should be taken to act according to regulations
(b) Section 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016	The fuel consumption had not tested for 16 vehicles.	The said inspection is currently being done.	Actions should be taken to act as per the Financial Regulations.
(c) Asset Management Circular No.	02 vehicles owned by the Sabha worth Rs. 971,877 have been idle for a period of 10 to 13 years	A letter will be sent again to the Chief Secretary in this regard.	Actions should be taken to act as per the circular.

05/2020 dated 02 October 2020 but had not been disposed due to lack of approval.

- (d) **Local Government Reforms Circular No. 08/2010 dated 24 March, 2010**
- Actions had not been taken to declare 49 cemeteries belonging to the relevant the Pradeshiya Sabha limits as cemeteries and take over their rights, evaluate and account. A record of the trees within the property had also not been maintained.
- Actions are taken to take over the rights, evaluate and account and that efforts are being made to maintain a record of productive and non-productive trees.
- Actions should be taken to act as per the circular.

2. Financial Review

2.1. Financial Results

According to the submitted financial statements, the income exceeding the recurrent expenditure of the council for the year ended 31 December in the reviewed year was Rs. 35,890,664 and the correspondence income exceeding the recurrent expenditure of the previous year was Rs.. 42,347,642

2.2. Revenue Administration

2.2.1 Estimated revenues, billed revenues, collected revenues and outstanding revenues

According to the information submitted, the estimated revenues, billed revenues, collected revenues and outstanding revenues related to the year under review and the previous year are given below.

Source of income	2023				2022			
	Estimated income	Billed income	Collected income	Total deficit as on 31 December	Estimated income	Billed income	Collected income	Total deficit as on 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	3,578,150	4,134,358	4,452,973	1,616,569	3,237,700	3,368,627	2,148,977	2,345,531
Rents	3,113,500	2,844,578	2,732,243	270,834	4,134,400	3,904,325	3,721,175	280,745
License Fees	780,100	749,495	749,495	-	980,100	882,246	882,246	-
Other incomes	8,659,000	8,470,637	7,070,911	1,399,726	3,996,500	6,160,291	4,256,085	1,904,205
	<u>16,130,750</u>	<u>16,199,068</u>	<u>15,005,622</u>	<u>3,287,129</u>	<u>12,348,700</u>	<u>14,315,489</u>	<u>11,008,483</u>	<u>4,530,481</u>

2.2.2 Performance on Revenue Collection

Audit Observation

As on 31 December, 2023, there was a balance of Rs.541, 983 in outstanding assessment, acreage tax and rent that were more than 05 years old.

Comments from the management

Actions are taken for the revenue recovery.

Recommendation

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3. Operational Review

3.1 Management inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	Rs.34,384 overpaid in the year 2022 had not been recovered.	Actions will be taken investigate and resolve promptly.	Actions should be taken to recover the overpayments again.
(b)	The amount of Rs. 9,000,000 received from the local credit development fund could not be settled due to the inability to rent the upper floor of the Moronthota Public shopping Complex as planned, which was completed in 2022.	Actions will be taken promptly to earn income and that such activities will not happen again	Actions should be taken to earn the revenue that is recievevable to the Sabha.
(c)	Although the 1½ acre Ranwala Public Cemetery had been proposed to be developed as a cemetery in 2019, it had not been materialized.	Actions will be taken to find information soon and initiate the development of Ranwala Public Cemetery.	Suitable actions should be taken as suggested.

3.2 Operational inefficiencies

	Audit Observation	Comments from the Management	Recommendation
(a)	An automatic sewing machine has been unused since the year 2022 and 08 in size of 160 liter compost bins purchased in the year 2021 worth Rs.48,800 had been kept in the warehouse without being distributed	The Self-Employment Training Program in Garment and Bag Sewing has been resumed in 2024 and arrangements are being made to provide compost bins to council-owned common areas.	Actions should be taken to use unused assets

3.3 Asset Management

	Audit Observation	Comments from the Management	Recommendation
(a)	03 vehicles worth Rs.1,585,521 and a water bowser have been idle for a period between 06 months and 13 years.	02 vehicles will be disposed and the water bowser will be repaired and used.	Assets should not be left unused.

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| (b) | A day-care center has been used to store scraps for over a year. | The disposal of those goods is currently taking place. | Assets should not be left unused. |
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3.4 Human Resource Management

Audit Observation	Comments from the Management	Recommendation
(a) The approved number of employees was 79 out of which there were 10 vacancies and 14 surplus employees.	As on 31.12.2023, the number of vacant posts was 10 and the surplus number was 14.	Arrangements should be made to fill vacancies and take actions to attach the surplus effectively