

## **Pelmadulla Pradeshiya Sabha- 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Pelmadulla Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position, the statement of financial performance, Cash Flow Statement as at 31 December 2023, Statement of changes in equity for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 31 December 2023 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 Pelmadulla 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 Principles.

#### **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 Principles, 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

| <b>Audit Observation</b>  | <b>Comments of the Council</b>  | <b>Recommendation</b>                               |
|---|---|---|
| (a) The cost of 03 development projects amounting to Rs.3,525,745 had not been accounted for.   | Corrections will be made in preparing the accounts for the next year. | The correct value should be properly accounted for. |
| (b) The stock amounting to Rs.2,218,882 issued from the warehouse had been debited to the accumulated fund instead of being debited to the relevant expenditure head.                                   | -do-  | -do-  |
| (c) 02 lands and 05 buildings of 8.44 perches owned by the council had not been assessed and accounted for.   | They will be assessed and accounted in due course.                    | -do-  |
| (d) There was a difference of Rs.8,473,858 between the balances as per financial statements and the balances as per subsidiary documents in 05 accounting subjects at the end of the year under review. | The reasons for these changes will be identified and resolved.        | -do-  |

### 1.6.2 Documentary Evidences not made available for Audit

| <b>Audit Observation</b>  | <b>Comments of the Council</b>                              | <b>Recommendation</b>                  |
|---|---|--|
| Detailed schedules of 05 accounting subjects amounting to total of Rs.142,092,917 had not been submitted. | Efforts will be made to submit in the next accounting year. | Relevant schedules should be prepared. |

## 1.7 Non- Compliances

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

| Audit Observation   | Comments of the Council   | Recommendation   |
|---|---|--|
| According to the Financial Regulations 571 (2) and (3), overdue sundry deposits relating to the period from year 2007 to 2021 amounting to Rs.1,126,095 had not been settled. | All the deposits will be looked into and take income from time to time in due course. | Measures should be taken according to the Financial Regulations. |

## 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.60,113 as compared with the excess of revenue over recurrent expenditure amounted to Rs.14,019,656 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, information about the estimated income, billed income, collected income and arrears related to the year under review and the previous year are given below.

| Source of Revenue | 2023                     |                       |                          |                                  | 2022                     |                       |                          |                                  |
|-------------------|--------------------------|-----------------------|--------------------------|----------------------------------|--------------------------|-----------------------|--------------------------|----------------------------------|
|                   | Estimated Revenue<br>Rs. | Revenue billed<br>Rs. | Revenue Collected<br>Rs. | Arrears as at 31 December<br>Rs. | Estimated Revenue<br>Rs. | Revenue billed<br>Rs. | Revenue Collected<br>Rs. | Arrears as at 31 December<br>Rs. |
| Rates and Taxes   | 6,697,910                | 7,156,137             | 8,391,531                | 5,677,960                        | 6,969,060                | 6,898,956             | 8,375,701                | 6,997,407                        |
| Rent              | 4,572,640                | 3,828,250             | 3,730,008                | 1,719,100                        | 3,332,640                | 2,578,415             | 2,521,265                | 1,559,859                        |
| License fee       | 2,527,700                | 3,516,277             | 3,515,277                | -                                | 1,041,000                | 1,901,782             | 1,901,782                | -                                |
| Other Revenue     | <u>860,000</u>           | <u>1,446,736</u>      | <u>1,378,708</u>         | <u>147,754</u>                   | <u>6,644,000</u>         | <u>6,871,030</u>      | <u>6,791,304</u>         | <u>-</u>                         |
|                   | <u>14,658,250</u>        | <u>15,947,400</u>     | <u>17,015,524</u>        | <u>7,544,814</u>                 | <u>17,986,700</u>        | <u>18,250,183</u>     | <u>19,590,052</u>        | <u>8,557,266</u>                 |

## 2.2.2 Performance in Revenue Collection

| <b>Audit Observation</b>   | <b>Comments of the Council</b>  | <b>Recommendation</b>                 |
|--|---|---------------------------------------|
| (a) There was a balance of Rs.214,472, which was more than 03 years old out of the outstanding acre tax balance of Rs.233,080 as on the last day of the year under review. | A document check will be conducted in this regard. Accordingly, the arrears will be recovered.                    | Arrears should be collected promptly. |
| (b) Parking fees of Rs.882,750 were outstanding from 762 registered three-wheelers at 38 three-wheeler parking points.   | The officers of the three wheeler associations will be called again, discussed and further actions will be taken. | do -                                  |

## 3. Operational Review

### 3.1 Informal Transactions

| <b>Audit Observation</b>  | <b>Comments of the Council</b>   | <b>Recommendation</b>   |
|---|--|---|
| The laptop computer and mobile phone worth Rs.123,290 given to the former chairman of the council as well as the mobile phone worth Rs.52,250 given to the vice chairman had not been handed over to the council by October 2023. | It has been directed to the Governor to get the approval to provide the equipment to them. | Arrangements should be made to recover the assets of the council. |

### 3.2 Operational Inefficiencies

| <b>Audit Observation</b>  | <b>Comments of the Council</b>   | <b>Recommendation</b>  |
|---|--|--|
| Even though an initial expenditure of Rs.204,229 had been made in year 2005 and 2007 for a housing scheme, the land plots has not been formally assigned until now. | The line ministry has also informed that this had not been accomplished. Further work is expected to be done with the Pelmadulla Divisional Secretariat. | Arrangements should be made to formally hand over the plots of land. |

### 3.3 Idle Properties

| <b>Audit Observation</b>  | <b>Comments of the Council</b>   | <b>Recommendation</b>                 |
|---|--|---------------------------------------|
| The baler machine amounting to Rs.950,000 received for the non-perishable waste center in July 2022 remained idle in the council premises even by November 2023 due to lack of three-phase electricity. | Work of the baler machine will be started as soon as the electricity is available. | Assets should not be remained unused. |

### 3.4 Deficiencies in Contract Administration

| <b>Audit Observation</b>                       | <b>Comments of the Council</b>                        | <b>Recommendation</b>                |
|--|---|--------------------------------------|
| Rs.92,233 had been paid for the work not done. | No overpayment has been made for those work subjects. | Overpayments are subject to recover. |

### 3.5 Human Resource Management

| <b>Audit Observation</b>  | <b>Comments of the Council</b>   | <b>Recommendation</b>  |
|---|--|--|
| Arrears of Rs. 101,384 from the loan amount obtained by a former member and three officers between the year 1994 and the year 2020 had not been recovered during the year under review. | Further information regarding the debtors is being gathered settlement will be done. | Arrangements should be made to settle outstanding loan balances. |