

Monaragala Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the **Monaragala** a Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position at 31 December 2023 and statement of financial operations, statement of changes in net assets, 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 provisions of the 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 **Monaragala** 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

<u>Audit Observation</u>	<u>Comments of the Sabha</u>	<u>Recommendation</u>
(a) Although Rs.67,560,633 should be paid from the loan amount given by the Asian Development Bank's Urban Development Sector Project, it was stated as Rs.2,552,912, it was understated by Rs.65,007,721 in the financial statement.	Although the Urban Development Authority has been informed through letters to verify the loan balance, no reply has been given so far.	Correct values should be included in the financial statements.
(b) A deposit balance of Rs.3,827,500 included in the miscellaneous deposit register was taken into the income of the year under review but was further shown under deposit balance in the statement of financial position.	This accounting error has been corrected.	Financial statements should be prepared correctly.
(c) Although the current account balance at the end of the year under review was Rs.9,652,717, it was shown as Rs.11,363,337 in the statement of financial position and it had been overstated by Rs.1,710,620.	This accounting error has already been corrected	Correct values should be included in the financial statements.
(d) Rs.10,074,653 worth of the Kumardola Road parking lot constructed by the Sabha under the Local Development Support Project (LDSP) had been debited twice to the land and building account.	The steps have been taken to correct this accounting error.	Financial statements should be prepared correctly.

<p>(e) According to the water charges register, the arrear water charges due on December 31, 2023 was Rs.989,800, but by stating it as Rs.1,547,300, there was a difference of Rs.557,500 between the two balances.</p>	<p>A condition caused by the removal of, the errors occurred in the billing of water charges and the values sent for approval to write off the balances from documents</p>	<p>Control accounts and documents should be reconciled.</p>
<p>(f) The value of a computer and a plastic water tank received as a donation to the Sabha during the year under review had not been assessed and accounted for.</p>	<p>The assessed value has been obtained and accounted for.</p>	<p>The value of all assets received by the Sabha should be recognized and accounted for.</p>
<p>(g) The value of the bus station sanitary facility complex of Rs.30,411,233, which was completed during the year under review, was taken into the land and building account as Rs.29,610,709 and understated by Rs.800,524.</p>	<p>The accounting error has already been corrected.</p>	<p>Financial statements should be prepared correctly.</p>

1.6.2 Documentary Evidences not made available for Audit.

Audit Observation -----	Comments of the Sabha -----	Recommendation -----
<p>Due to non-submission of title deeds, reports of professional Valuers, fixed assets and other outstanding income registry related to 03 assets with a total value of Rs.2,097,059,444, it was not possible to verify satisfactorily during the audit.</p>	<p>After surveying and settling the land, the title deeds will be prepared and a professional valuation will be obtained and also fixed asset register has been updated.</p>	<p>Evidence supporting the account balances shown in the financial statements should be submitted.</p>

1.7 Non- Compliances

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 Section 24(1) (a)	Although 481 roads were included in the road inventory, 454 roads were not gazetted.	As soon as the money is received, these roads will be measured and mapped and published in the gazette.	Road inventory should be updated and gazetted.
(b) Circular of the Secretary to the Ministry of Power and Energy dated August 17, 2010	According to the street lights register, although 3116 street lights were installed, there was no contract with the Ceylon Electricity Board regarding street lighting.	Since there are many factors affecting the non-contract with the Electricity Board, more attention will be paid to this situation in the future.	It should be complied with Circulars.
(c) Extraordinary Gazette No. 1597/8 dated the 17th April, 2009	Out of 448 building applications approved from 2016 to 2020, 380 building applications were not inspected and certificates of compliance issued.	In the future, adequate regulation will be made regarding construction.	In relation to the construction carried out in the area, should be regulated.

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 of the current year amounted to Rs. 13,465,208 as compared with the excess of revenue over recurrent expenditure amounted to Rs.15,924,624 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.

		2023				2022			
Source of Revenue		Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
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		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	14,123,230	13,710,743	16,106,287	17,314,706	3,045,000	13,586,447	13,586,448	19,851,963
(ii)	Rent	20,775,000	23,805,274	21,358,681	19,207,720	28,677,450	20,584,974	43,694,679	7,000,883
(iii)	License Fees	1,558,100	1,710,024	1,710,024	-	1,770,100	1,641,262	1,641,262	-
(iv)	Other revenue	29,246,336	39,694,842	39,694,842	-	26,038,275	24,076,822	24,076,822	-
	Total	65,702,666	78,920,883	78,869,834	36,522,426	59,530,825	59,889,505	82,999,211	26,852,846

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Sabha are given below.

Audit Observation

Comments of the Sabha

Recommendation

Rates and Taxes

(a) Out of the assessment tax revenue of Rs.13,710,742 billed in the year under review, Rs.6,436,248 or 47 percent had not been collected as on December 31.

That the arrears of revenue will be recovered promptly.

Billed revenues should be collected.

(b) Out of the outstanding assessment tax revenue of Rs.19,851,963 at the beginning of the year under review, Rs.10,788,091 or 54 percent had not been recovered by the end of the year under review.

The arrears are planned to be recovered promptly.

Arrears of assessment should be recovered promptly.

(c) The rental income of Rs.9,914,947 due for the lease of the property for the period 2016-2022 was not collected even in the year under review.

It has been referred to the Governor for approval to write off the arrears related to the period of the Covid epidemic situation, but the approval has not been received so far.

Arrears should be recovered promptly.

Rent

(a) Out of the shop rent income of Rs.9,996,680 billed in the year under review, Rs.4,006,523 had not been recovered as on 31 December 2023.

Action will be taken to sue against the parties who do not pay shop rents and recover arrears of rent in instalments.

Action should be taken to collect the billed revenue.

(b) Out of the arrears of Rs.4,653,834 at the beginning of the year under review, Rs.1,619,214 or 35 percent had not been recovered by the end of the year under review.

The arrears will be recovered in instalments. Arrears should be recovered promptly.

Other Income

(a) According to the billboard survey conducted in the year 2023, billboard fees of Rs. 345,900 due on December 31, 2023 for 109 billboards that were displayed had not been recovered.

The relevant parties have been informed to collect the arrears, and if the money is not paid, formal action will be taken regarding the billboards

Billboard charges should be collected during the relevant year.

(b) Court fines amounting to Rs.2,967,711 and stamp duty amounting to Rs.29,068,930 remained due as on 31st December of the year under review.

The relevant institutions have been informed in writing to recover the outstanding amount. Revenue in arrears should be recovered promptly.

2.3 Surcharges

Audit Observation

Comments of the Management

Recommendation

 According to the provisions of the Pradeshiya Sabha Act, an amount of Rs. 129,580 was to be recovered as on December 31 of the year under review in respect of a surcharge imposed by me against the responsible persons in previous years.

Relevant parties on whom the surcharge was imposed have now died and the relevant information has been submitted to the Local Government Department for further action.

At regular intervals, surcharges should be collected.

3. Operational Review

3.1 Fulfillment 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 Sabha under Section 3 of the Pradeshiya Sabha Act are shown below

By Laws

Audit Observation

Comments of the Management

Recommendation

In Gazette No. 3122 dated November 18, 2022, although it was stated that the Sabha should charge fees, under the waste disposal by-laws, the institutions that should be charged for garbage in relation to the year 2023 had not been identified and the relevant fees had not been collected.

According to the relevant by-laws, it will be charged for garbage in the future.

The relevant fees should be collected as per the by-laws.

3.2 Management inefficiencies

Audit Observation

Comments of the Management

Recommendation

(a) For water connections provided under the water project implemented by the Pradeshiya Sabha, a monthly charge of Rs.100 to Rs.250 for domestic water connections and Rs.1,250 to Rs.3,750 for business premises had been charged due to non-installation of water meters.

Since it is difficult for the Sabha to bear the initial cost of installing water meters and considering the well-being of the general public, water supply is being provided and estimates have been prepared to install 162 water meters under the provincial fixed fund in the future.

Water supply should be properly managed.

(b) In leasing new bus station stalls No. 01 and 02 belonging to the Sabha, 05 and 04 parties had submitted prices respectively, and the first highest 02 bids for stall No. 01 were submitted by one party, the third and fourth bids by another party, and the first 03 bids for stall No. 02 were submitted by the same party. Although one party cannot offer multiple prices for the same stalls, the shop premises were leased out without any consideration with this regard

Thus the tender was awarded in good faith towards the institution.

Procurement should be done in a transparent manner.

(c) In respect of 32 unapproved building plans submitted by the Pradeshiya Sabha from 2016 to 2020, field inspections were not conducted and further action was not taken.

Due to the shortcomings in the building applications, it could not be approved and the relevant officials have been informed to follow up on the building applications currently being submitted.

Construction work in the area should be regulated.

3.3 Operational inefficiencies

Audit Observation

Comments of the Management

Recommendation

(a) In leasing the property annually, although the procurement process should be followed, the No. 03 butcher shop belonging to the Pradeshiya Sabha was leased to the lessee in the year 2022 without following the procurement procedures.

According to a decision of the Pradeshiya Sabha, the lease has been arranged without a tender on the consent of the majority of the MPs.

When leasing property owned by the Sabha, procurement procedure should be followed.

(b) According to the terms of the lease agreement, the monthly water and electricity bills of 03 properties belonging to the Pradeshiya Sabha should be paid by the respective lessee, but the Sabha had settled the water bills of Rs.347,588 in relating to 03 properties.

After the lessee informed that he could not pay the bills because other parties besides the lessee were consuming water in these water meters, the bills were paid on the written orders of the chairman and that new water meters are currently being installed.

The terms of the agreement should be followed.

(c) The parties who leased shop stalls No. 7, 8, 9 and 11 of the wholesale market had transferred the shop stalls to other parties, but no conditions regarding the transfer of the shop stalls were included in the lease agreement.

It has been transferred to another party without the consent of the council, and new agreements will be prepared by including the relevant conditions and entered into in the future

When leasing a shop, all related conditions should be included in the lease agreement.

3.4 Asset management

Audit Observation	Comments of the Management	Recommendation
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<p>(a) The Pradeshiya Sabha had purchased 185 gas cylinders for the crematorium at a cost of Rs. 31,683,745 for the year 2023, and there was no arrangement was established for releasing gas to the crematorium through the warehouse.</p>	<p>Due to the lack of safe storage facilities, transportation problems, problems of gas release on holidays, gas was stored in the crematorium site itself, instead of being released through the warehouse of the Sabha office, and that these activities will be regularized in the future.</p>	<p>Assets owned by the Sabha should be managed efficiently.</p>
<p>(b) According to the register maintained at the crematorium, the remaining amount of gas (balance) had not been brought forward on January 01, 2023, and 152.15 gas cylinders had been used out of 185 gas cylinders purchased in the year 2023. Accordingly, on December 31, 2023, the remaining amount of gas should be 32.85 gas cylinders, but due to stating it as 3.52 cylinders, there was a deficiency of 29.10 gas cylinders worth Rs. 509,912.</p>	<p>The books were checked by the supervisors and found that there were omissions in the entries in the books and the remaining amount of gas was correct.</p>	<p>Attention should be paid to the utilization and safety of assets owned by the Sabha.</p>
<p>(c) Although the meter of the fire engine was recorded as 65616 km, as per the running charts book, its meter was recorded as 66325 km. Thus, it was observed that 177 liters of fuel was obtained for 709 kilometers that were not driven.</p>	<p>That the driver in charge of the vehicle has been asked about the reasons and asked to present the facts in writing.</p>	<p>The assets owned by the Sabha should be used properly.</p>

(d) According to the registration certificate of the drum truck owned by the Sabha and it was observed that the chassis number mentioned in the vehicle is different and the revenue license was not obtained for this vehicle after the year 2019.

That this situation has arisen due to the actions taken by the company involved in the importation of the vehicles without inspection and The Department of Motor Traffic said that if this error is corrected, the relevant documents can be corrected.

Attention should be paid to the ownership and security of assets owned by the Sabha.

(e) Legal ownership of 04 vehicles used by the Sabha was not taken over.

The arrangements are being made to hand over the relevant vehicles to the Sabha.

The legal ownership of assets owned by the Sabha should be taken over.

(f) The tipper owned by the Sabha had stopped running for a repair work since July 7, 2023, and had not been repaired by October 18, 2023. According to the daily running charts, the mileage was 57885 km on the day of stopping for repairs, but on October 18, 2023, the mileage of the vehicle was recorded as 63823 km. Thus the odometer of the vehicle had driven 5938 km more than the daily log book. Thus, it was observed that 5938 kilometers have been driven outside of official activities.

In this regard, the driver in charge of the vehicle has been inquired and after obtaining information from the driver, further action will be taken in this regard.

Adequate attention should be given to the utilization of assets owned by the Sabha.

(g) Since the plot of 03 perches land situated on Pothuvil Road, Monaragala, owned by the Sabha, is being used by a private textile sales shop, but the Sabha had not taken any action against it.

That the relevant land parcels will be surveyed and settled in the future.

Security of properties owned by the Sabha should be ensured.

3.5 Procurement Management

Audit Observation

(a) Without the procurement decisions and without the relevant prices in the procurement decision, an expenditure of Rs. 395,393 had been incurred for the purchase of equipment needed for Weliaya Pre-school, the purchase of equipment needed for the Sabha, the purchase of employee uniforms and repair work.

(b) Rs. 102,000 had been paid to a private institution through voucher number 16 dated 10 April 2023 for the purchase of materials required for the health sector, and purchases had been made according to procurement decision number 40 of 2023. According to that decision, it was purchased outside of the selected company and no quotation was made in relation to the purchased company.

(c) An amount of Rs. 293,600 was paid in the year 2023 for the purchase of uniforms for the officers of the Fire department of the Pradeshiya Sabha. Although it was informed that this purchase was made according to the procurement decision No. 63 of 2023, but according to that decision, it was only done for the purchase of safety shoes for the officers. Accordingly, no quotations were issued for the purchase of uniforms.

Comments of the Management

Since the water motor was purchased from that private institution a few years ago, the quotation related to the repair were not called and the quotations related to procurement decision number 85 were mistakenly included in the file related to decision number 94, and such omissions will be avoided in the future.

Since the company that offered the lowest price did not supply the goods, it was purchased from another company at the same price and the quotations were issued for the same and the procurement decision was omitted to be recorded. In future, such drawbacks will be avoided.

Due to the fact that the price of a set of clothes was not mentioned, the price was sent to the institution through an invoice and due to the fact that the price was not recorded in the first instance, it was omitted to be recorded in the procurement decision book.

Recommendation

Procurement should be done in a formal and transparent manner.

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(d) According to the prices offered by the Monaragala Pradeshiya Sabha for the purchase of 1000 green bulbs of 15 watt, instead of buying from the company that can provide one for Rs.1,535 with a warranty period of 03 years, buying from one with a warranty period of 02 years at Rs.2,350 each from another company, there was a loss of Rs.795,000 to the Sabha fund.

It was informed that it is not possible to provide a bulb at Rs.1,335 from the company that had submitted the lowest price, and it was informed that more than 500 bulbs would have to be purchased at the same time to get it at that price. The other institutions that submitted the prices agreed to provide a bulb for Rs.2,350 with a warranty period of 03 years and the bulbs were bought from that institution due to the fact that the number of the bulb and the number of the card were disregarded while changing the bulbs.

Procurement should be done in a formal and transparent manner.

3.6 Human Resource Management

Audit Observation

As on December 31 of the year under review, there were vacancies of 22 officers in 10 positions and a surplus of 09 officers in 04 positions.

Comments of the Management

The Local Government Department has been informed about the staff vacancies and that the excess officers are not the officers applied for by the Sabha.

Recommendation

Staff vacancies should be filled and posts of surplus staff should be approved.

4. Accountability and good governance

4.1 Budgetary Control

Audit Observation

Comments of the Management

Recommendation

According to the budget prepared by the Pradeshiya Sabha for the year under review, in comparison of the estimated income and expenses, with the actual income and expenses of the year, there were variations from 10 percent to 37 percent in 08 income subjects and 1 percent to 47 percent in 07 expenditure subjects.

That it was not possible to collect an amount corresponding with the estimated revenue based on positive decisions and revenue collection strategies taken on various occasions.

Annual budget estimates should be prepared more realistically, and work should be done to achieve those targets.