

## **Ipalogama Pradeshiya Sabha - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Ipalogama Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of Assets and Liabilities as at 31 December 2023, Comprehensive Income Statement, Statement of changes in Net Assets/Equity, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 provisions of the National Audit Act No. 19 of 2018 and the Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987. 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 accompanying financial statements give a true and fair view of the financial position of the Ipalogama Pradeshiya Sabha as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

#### **1.2 Basis for Qualified Opinion**

My opinion is qualified 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 Sri Lanka Public Sector Accounting Standards for Local Authorities, 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the 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 recommendations made by me in the previous year as per the requirement of Section 06 (1) d (iv) of the National Audit Act No. 19 of 2018.

## 1.6 Audit observations regarding the preparation of financial statements

### 1.6.1 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
In the Gonapathirava Ayurveda Center belonging to the Sabha, the stock of medicines on 31 December 2023 was Rs.298,240, but as per the schedule it was Rs. 386,969, a difference of Rs. 88,729 had been observed.	Accepted.	The correct value should be accounted.

### 1.6.2 Lack of Written Evidences for Audit

	Subject	Amount	Unsubscribed Audit evidences	Comments of the Sabha	Recommendation
		Rs.			
(i)	Fixed Deposits	23,422,189	Schedules	Accepted	Verifying written evidence should be submitted.
(ii)	General Stock	1,015,929	Inventory Registers	- Do -	- Do -

## 2. Financial Review

### 2.1 Financial Result

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs.5,190,994 as against the excess of expenditure over revenue amounted to Rs.6,900,567 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 submitted by the Secretary of the Sabha, information related to the estimated revenue, billed revenue, collected revenue and revenue arrears for the year under review and for the previous year are mentioned 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.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	5,103,050	4,389,315	6,090,115	1,825,100	2,962,400	4,183,035	3,200,395	3,525,900
(ii) Rent	10,370,483	10,337,289	10,713,063	1,584,311	9,010,586	8,877,828	9,211,969	1,960,085
(iii) License Fees	403,700	311,170	393,420	147,250	416,350	451,550	385,050	229,500
(iv) Other revenue	20,998,500	22,533,769	18,796,654	23,868,247	17,154,000	18,435,126	17,602,484	20,131,132
	36,875,733	37,571,543	35,993,252	27,424,908	29,543,336	31,947,539	30,399,898	25,846,617

### 2.2.2 Performance in Revenue Collection

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

Audit Observation	Comments of the Sabha	Recommendation
<b>(a) Rates and Taxes</b>		
(i) Outstanding garbage taxes related to previous years and billed garbage taxes for the year 2023, amounting Rs.1,227,900 had not been recovered.	That will be recovered.	Prompt actions should be made for recovery.
(ii) Billings had been made for the collection of Rs.1,532,750 as trade licenses, industrial taxes and business taxes for the year under review, but by 31 December 2023, Rs.120,250 had not been collected.	That will be recovered.	Prompt actions should be made for recovery.

**(b) Rent**

- |      |  |       |       |
|------|--|-------|-------|
| (i)  | Arrears vehicle rent of Rs.583,250 and outstanding shop rents of Rs.403,180 had not been collected by 31 December 2023.  | -Do - | -Do - |
| (ii) | An amount of Rs.25,600 dues for an asset leased in previous years and Rs.31,644 dues for 02 assets leased in the year 2023 had not been recovered by 31 December 2023. | -Do - | -Do - |

**(c) Other Revenue**

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|-------|--|-------|-------|
| (i)   | Billing of bill-board revenue for the year 2022 was Rs.56,720, but Rs.20,800 had not been recovered.   | -Do - | -Do - |
| (ii)  | An amount of Rs.197,720 should have been collected from outstanding bill-board revenue as at 31 December 2023, but Rs.137,000, which was 69 percent of that, had not been collected.                 | -Do - | -Do - |
| (iii) | Fees amounting to Rs.222,200 had not been collected from the courses conducted by the Nenasala center belonging to the council.  | -Do - | -Do - |
| (iv)  | Court fines amounting to Rs.14,048,741 and stamp duty amounting to Rs.8,397,350 had not been collected from the Chief Secretary of the Provincial Council and other authorities on 31 December 2023. | -Do - | -Do - |

**3. Operational Review****3.1 Performance of functions assigned by the Act**

The matters observed regarding the accomplishment of the functions that should be discharged by the Pradeshiya Sabha under Section 3 of the Pradeshiya Sabhas Act, such as, the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people and all amenities within such area, are mentioned below.

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Under Section 126 of the Pradeshiya Sabha Act, by-laws could have been enacted to fulfill 30 main matters, but by 31 December 2023, any by-laws had not been enacted for those matters.	That the by-laws will be enacted in the near future.	Actions should be made to enact by-laws.

### 3.2 Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
In the year under review, any actions had not been made to enter into agreements with the respective lessees for 18 shops in Mahailuppallama shopping Complex and 05 shops in Senapura shopping Complex.	That actions are being taken to enter into agreements.	Necessary actions should be made to enter into a contract.

### 3.3 Assets Management

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Pradeshiya Sabha had been paid Rs.306,500 in the year 2022 for the repair of the tipper belonging to the Sabha which had an accident on 18 December 2021, but the persons responsible for the loss had not been identified, to recover the damages and the final inspection report had not been obtained.	That after receiving the report of the formal disciplinary investigation, recovery will be done from the concerned persons.	Formal investigations should be done and the loss should be recovered.