

Kebithigollewa Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kebithigollewa 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 Kebithigollewa 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 and Regulatory 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 Audit Act No. 19 of 2018.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) In preparing the accounts of the reviewed year, the estimated stamp duty revenue related to the year 2022 was Rs.1,500,000 and due to the elimination of stamp duty revenue from the stamp duty revenue receivable had been reduced the stamp duty revenue receivable of that value.	Accepted.	Accurate estimates should be prepared.
(b) Due to accounting of Rs.169,415 court fines related to the month of December 2022 as income of the year under review in the Comprehensive Income Statement, the court fines of the year under review had been increased by that value.	Accepted.	The correct value should be accounted.
(c) Although the income to be received from the Yakawewa Water Project on 31 December 2023 was Rs.366,190, it had been understated as Rs.166,526.	-Do -	-Do -

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
According to the Statement of Assets and Liabilities, the court fine income was Rs.3,221,920, but according to the schedule it was Rs.2,775,755, therefore a difference of Rs.446,165 was observed.	Accepted.	Corresponding reports should be compared with schedules.

1.6.3 Lack of Written Evidences for Audit

Subject	Amount Rs.	Unsubscribed Audit evidences	Comments of the Sabha	Recommendation
Cemeteries	56,800,000	Deed of Transfer	Accepted.	Verifying written evidence should be submitted.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess expenditure over revenue of the Sabha for the year ended 31 December 2023 amounted to Rs.8,847,011 as against the excess expenditure over revenue amounted to Rs.1,444,662 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	1,269,000	863,370	863,370	-	1,136,400	1,054,950	1,054,950	0
(ii) Rent	12,870,665	11,025,542	10,008,894	5,986,695	12,599,100	10,753,122	10,691,032	4,970,047
(iii) License Fees	410,500	321,900	321,900	-	2,410,603	1,241,216	832,819	-
(iv) Other Revenue	4,291,517	7,547,010	4,130,480	10,271,913	3,236,970	4,318,157	3,442,770	6,855,383
	18,841,682	19,757,822	15,324,644	16,258,608	19,383,073	17,367,445	16,021,571	11,825,430

2.2.2 Performance in Revenue Collection

Following are the observations regarding the revenue collection performance of the sabha.

Audit Observation	Comments of the Sabha	Recommendation
(a) Rates and Taxes		
(i) The arrears of rent of Rs.2,022,159 dues in relation to 15 units of assets that have existed for many years had not been collected in the year 2023.	Accepted.	Actions should be taken to recover
(ii) The billing for the shops belonging to the council for the reviewed year was Rs.5,833,972, but Rs.2,544,368, which was 44 percent of that, and Rs.1,131,587 which is 70 percent of Rs.1,613,538 to be charged for arrears of shop rent had not been recovered.	-Do -	-Do -
(iii) 23 shops are being idle due to the lack of applicants because of a special resolution of the General Assembly, it has been decided to charge a higher rent than the assessed rent given by the Valuation Department for the shops belonging to the Sabha located in the Kabithigolleva Bus Stand Complex and then Sabha had also been lost a rental income of Rs.1,200,000.	-Do -	Actions should be taken to lease at rental value given by Valuation Department.
(iv) The Sabha had not been taken actions to cancel the Agreement and take legal action for the shops that did not pay rent and did not open.	-Do -	Legal action should be taken.
(b) License Fee		
In the year under review, it was estimated to earn license fee income of Rs.410,500, but on cash basis only an income of Rs.321,900 had been collected and recorded, so it was not possible to identify the arrears of income.	-Do -	The fee should be collected correctly in accordance with the survey reports.
(c) Other Revenue		
(i) According to the survey report on bill-boards for the year 2023, an income of Rs.662,737 was billed to be collected, but 98 percent of Rs.649,037 had not been collected.	-Do -	Actions should be taken to recover the arrears of income.

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| (ii) | As at 31 December of the year under review, Rs.83,836, which was 47 percent of the outstanding water bills of the Yakawewa Water Project, had not been recovered. | -Do - | Actions should be taken to recover. |
| (iii) | The water charges of the Yakawewa water project with 54 water connections had been revised from the year 2023, but the bills had not been prepared according to the revision. According to the audit sample inspection, the Sabha had lost an income of Rs.115,362 only for 03 water connections. Accordingly, the outstanding fees should have been calculated and collected in respect of the remaining 51 water connections. | Accepted. | Revised charges should be charged. |
| (iv) | The court fines Rs.3,221,920 and stamp duty amounting to Rs.5,964,234 had not been collected from the Chief Secretary of the Provincial Council and other authorities on 31 December 2023. | -Do - | Actions should be taken to recover. |

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.

Audit Observation	Comments of the Sabha	Recommendation
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

Audit Observation	Comments of the Sabha	Recommendation
The Sabha did not have the correct information regarding 108 tube wells maintained by the Sabha and they were not recognized as an asset of the Sabha.	Accepted.	Correct details should be documented and updated.

3.3 Assets Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	19 vehicles are being used by the Sabha had not been registered in the name of the Sabha.	Accepted.	Actions should be taken to register.
(b)	04 vehicles had been parked idle due to the lack of drivers and providing vehicles to the Sabha when there was no demand or requirement of the Sabha.	- Do -	Vehicles should be used so that the Sabha gets maximum efficiency.

4. Accountability and Good Governance

4.1 Annual Action Plan

	Audit Observation	Comments of the Sabha	Recommendation
	According to the action plan, 18 proposals had not been implemented and the estimated values had not been mentioned for those projects.	Accepted.	An action plan should be prepared annually in line with the budget.