

Kekirawa Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kekirawa 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 Kekirawa 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

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 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 skepticism 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

Audit Observation	Comments of the Sabha	Recommendation
(a) Certified works value of Rs.5,059,572 related to 03 capital projects implemented by the Pradeshiya Sabha in the year 2023 were not accounted for as assets and capital grants in the statement of assets and liabilities of the year under review.	Accepted	The value of certified works should be accounted for as capital grants and assets.
(b) The stock of Rs.262,792 of drugs of the Ayurvedic center belonging to the Pradeshiya Sabha as on 31 December 2023 had not shown under the stock in the statement of assets and liabilities of the year under review, and the drugs amounting to Rs.2,954,051 which had been purchased in the year under review was understated as Rs.2,251,435 in the statement of comprehensive income.	-Do-	The correct value should be accounted for.
(c) Laying of gravel to Habarana weekly market during the year under review amounting to Rs.120,000 had been capitalized without being shown as recurrent expenditure.	-Do-	Gravel road construction should be accounted for as recurrent expenses.
(d) Although the value of certified works for the construction of the new council building as on 31 December 2023 was Rs.63,704,359, it has been understated as Rs.58,025,712 in the statement of assets and liabilities for the year under review.	Accepted	The correct value should be accounted for.

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| (e) | Although Nanasala's revenue billing was Rs.204,100 in the year under review, it was understated as Rs.192,200 in the comprehensive income statement. | -Do- | The correct value should be accounted for. |
| (f) | Due to accounting of a current liability of Rs.1,192,369 in the year under review under miscellaneous creditors without agreement or commitment, current liabilities of the council had increased by that value. | -Do- | -Do- |

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
(a) An unreconciled difference of Rs.7,563,071 had been observed between the totals of the schedules submitted with the financial statements of the year under review and the balances of 09 accounts in the financial statements.	Accepted	Corresponding reports should be compared with schedules.
(b) In relation to 04 items, the value stated in the cash flow statement was Rs.79,753,248, but according to the statement of assets and liabilities, the value was Rs.92,041,291 and a difference of Rs.12,288,043 was observed.	-Do-	-Do-

1.7 Non-compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of Non-compliance with Laws, Rules, Regulations and Management Decisions are as follows.

Reference to Laws, Rules, and Regulations	Non-compliance	Comments of the Sabha	Recommendation
Paragraph 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016	fuel consumption test had been done in respect of 16 vehicles owned by the Sabha	Accepted	The circular should be followed.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs.19,793,492 as compare with the excess of revenue over expenditure amounted to Rs.19,526,542 in the preceding year.

2.2 Financial Control

Audit Observation

Comments of the Sabha

Rs.4,348,131 of stamp duty and Rs.6,820,255 of court fines received in the year 2023, has been remained in the General Deposit account without being spent on essential works or projects.

Accepted

Money should not be left idle and should be used for essential purposes.

2.3 Revenue Administration

2.3.1 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	8,499,935	9,644,160	10,580,971	4,897,429	8,346,305	8,310,096	7,967,449	5,834,240
(ii) Rent	15,463,600	13,018,269	11,905,888	7,173,056	16,545,100	11,559,206	12,244,842	6,060,675
(iii) License Fee	5,932,650	7,921,792	8,008,292	258,500	5,899,650	4,675,015	4,920,215	345,000
(iv) Other Revenue	37,287,000	51,605,675	7,932,587	49,508,307	23,376,000	49,893,169	107,199,470	5,835,219
	67,183,185	82,189,896	38,427,738	61,837,292	54,167,055	74,437,486	132,331,976	18,075,134

2.3.2 Performance in Revenue Collection

The observations regarding the performance in revenue collection of the council are as follows

Audit Observation	Comments of the Sabha	Recommendation
(a) Rates and Taxes		
(i) No legal action was taken in accordance with the Pradeshiya Sabha Act to recover the arrears of Rates and Taxes amounting to Rs.3,363,457 as on 31 December of the year under review.	Accepted	Actions should be taken to recover the arrears of rates and taxes.
(ii) A formal survey of the businesses and industries in the area has not been conducted and those revenues had not correctly identified and industrial tax of Rs.29,250 and business tax of Rs.99,460 had not been collected as at 31 December of the reviewed year.	That the survey work has been done.	Survey work should be done within the stipulated time and reports should be prepared.
(iii) Although Rs.773,887 from the closed Rani Cinema Hall and Rs.631,274 from the EDC Cinema currently operating have to be collected by 31 December 2023, no legal action has been taken to recover the arrears.	That due to deficiencies in the filing of the case assigned for this purpose, it has not been possible to recover the amount due to the acquittal of the accused.	A formal investigation should be conducted regarding the responsible parties in relation to filing the case correctly, and the Sabha should recover the loss incurred.
(b) Rent		
(i) Arrears of Rs.2,206,425 due for 14 shops owned by the Sabha had not been collected, and necessary legal measures had not taken to cancel the contracts of non-paying shops and collect the arrears of rent.	That after receiving the judgments of the cases, recovery will be done.	Arrangements should be made to recover rent arrears.
(ii) No action had been taken to recover Rs.135,000 receivable from 07 mobile shops in the year under review and action had not been taken to take back the non-paying shops to the Sabha.	That legal action has been taken to recover the arrears.	Actions should be taken to recover and repossess the stalls that do not pay rent.

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| (iii) | The arrears of rent due for lease of the assets owned by the Sabha was Rs.2,659,132 and the necessary activities to collect the arrears of rent which existed for a period of 01 to 13 years had not done in the year under review. | That Rs.40,695 has been recovered from legal notices and that a case has been filed to recover the rest of the money. | Legal proceedings should be taken to recover. |
| (iv) | Necessary arrangements were not made in the year under review to recover Rs.1,956,804 due for renting the machines owned by the Sabha. | That Rs.175,000 have been recovered and the remaining arrears are being recovered. | Legal proceedings should be taken to recover. |
| (c) | License Fee

Necessary arrangements had not been taken to recover trade license fees of Rs.17,000 on behalf of trading establishments, billboard fees of Rs.115,500 from 05 billboards and environment license fees of Rs.68,000 as at 31 December of the year under review. | That Rs.3,000 for trade licenses and Rs.55,000 for billboards have been recovered. | The remaining arrears should also be recovered. |
| (d) | Other Revenue

Court fines amounting to Rs.48,225,326 and stamp duty of Rs.989,500 should have been received from the Chief Secretary of the Provincial Council and other authorities on 31 December 2023 and the stamp duty related to the year 2023 was not confirmed. | Accepted | Action should be taken to recover income. |

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
By-laws could have been enacted to fulfill 30 main matters under Section 126 of the Pradeshiya Sabha Act, but no by-laws had been enacted for those matters by 31 December 2023 and the standard by-laws published by the Minister of Local Government in accordance with Gazette Notification No. 520/7 dated 23 August 1988 and No. 1960/35 dated 30 March 2016 had been adopted by the Sabha since 10 October 2016.	Accepted	Arrangements should be made to enact by-laws.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
Adequate supervision and provision of necessary facilities had not been supplied during the year under review for Maradankadawala, Palugaswewa and Madatugama sub-offices belonging to the Sabha.	Accepted	Adequate facilities should be provided to sub-offices and their activities should be monitored.

3.3 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
(a) The Sabha had not taken action to dispose of 04 vehicles even in the year 2023, which had been out of use for 01 year to more than 08 years.	That the engineering reports will be taken and further action will be taken.	Actions should be taken to disposed of without delay.
(b) 07 old shop rooms belonging to the council had not been repaired and leased.	That the repairs are being made.	Arrangements should be made for lease after repairs are completed.

4. Accountability and Good Governance

4.1. Annual Action Plan

Audit Observation	Comments of the Sabha	Recommendation
An annual action plan has not been prepared for the tasks to be performed by the Sabha according to the annual budget.	That has submitted	Action plan should be prepared and submitted with necessary details.