

Nuwara Gampalatha East Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Nuwara Gampalatha East Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of Assets and Liabilities as at 31 December 2023 and the Statement of Comprehensive Income, Statement of changes in Net Assets / Equity and 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 Subsection 172 (1) of the Pradeshiya Sabhas 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 reported 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 Nuwara Gampalatha East 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 Governments.

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 Standard for Local Governments, 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 financial reporting process of the Pradeshiya Sabha.

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 to be prepared of the Pradeshiya Sabha.

1.4 Audit Scope (Auditor's Responsibility for the Audit of the 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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Pradeshiya Sabha;
- Whether the Pradeshiya Sabha 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 related to the preparation of financial statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Even though the sofa at Thuruliya Sevana holiday resort had been repaired at a cost of Rs.45,000 in the year under review, it had not been accounted as an asset of the Sabha.	Accepted.	Assets belonging to the Council should be accounted.
(b)	Even though revenue of Rs.583,860 was received from the solar power system, it had been understated as Rs.492,990 in the statement of comprehensive income.	-Do-	Accurate value should be accounted.
(c)	for fixed deposit related to the year under review had been Rs.1,417,871, it had been understated as Rs.1,206,602 in the statement of comprehensive income and the interest from the other fixed deposit amounting to Rs.1,395,212 to be received related to the year under review had not been indicated as receivable income.	-Do-	-Do-
(d)	According to the inventory as at 31 December of the year under review, the value of the stock of street lamps had been Rs.154,315, it had been understated as Rs.132,115 in the statement of assets and liabilities.	Accepted.	Accurate value should be accounted.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
(a) Even though the transfers made by the government for non-recurrent expenses in the year under review had been Rs.7,784,039 as per the statement of comprehensive income, it was Rs.7,247,418 as per Note No. 05, and as a result, there was a difference of Rs.536,621.	Accepted.	Schedules should be reconciled with corresponding reports.
(b) Although the court fines receivable as at 31 December of the year under review according to the statement of assets and liabilities had been Rs.8,600,360, it had been Rs.6,767,684 according to the schedule, and as a result, there was a difference of Rs.1,832,676.	-Do-	-Do-

1.6.3 Lack of Written Evidences for Audit

Item	Amount	Audit Evidence not provided	Comments of the Sabha	Recommendation
(a) Tube Well Stock of Spare Parts	Rs. 58,034	Non-maintenance of inventories.	Accepted	Written evidence that was confirmed should be submitted.
(b) Stamp duty receivable	22,436,908	Not maintaining documents in an updated manner.	-Do-	-Do-
(c) Roads and culverts	10,277,416	Detailed schedules.	-Do-	-Do-

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue, which had exceeded the expenditure of the Pradeshiya Sabha for the year ended 31 December 2023 had been Rs.3,079,423 and conversely expenditure, which had exceeded the revenue in the previous year had been Rs.17,445,266.

2.2 Financial Control

Audit Observation	Comments of the Sabha	Recommendation
Even though a balance over Rs.10,000,000 had been maintained in the current account of the industry in the months from January to December of the year under review, action had not been taken to invest the amounts for generating revenue for the Sabha.	Comments had not been made.	Surplus amounts should be invested.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and Revenue Arrears

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.

Revenue Source	2023				2022			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Deficit as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Deficit as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	3,016,000	2,429,497	2,472,847	826,770	3,437,000	2,436,695	1,891,095	870,120
(ii) Rents	14,594,690	3,675,830	3,640,971	1,431,836	10,428,000	4,848,201	5,124,094	1,396,977
(iii) License Charges	1,450,000	1,503,966	1,445,767	1,176,263	1,565,000	1,128,544	1,440,705	1,118,064
(iv) Other Revenue	38,240,400	34,812,231	35,308,195	44,417,423	30,765,620	26,517,423	35,679,398	44,913,387
	57,301,090	42,421,524	42,867,780	47,852,292	46,195,620	34,930,863	44,135,292	48,298,548

2.3.2 Performance of the Collection of Revenue

The observations in relation to the performance of the collection of revenue in the Pradeshiya Sabha are mentioned below.

Audit Observation	Comments of the Sabha	Recommendation
<p>(a) Rates and Taxes</p> <p>In terms of Section 134 (1) of the Pradeshiya Sabhas Act, No. 15 of 1987, the necessary activities for identifying and gazetting the developed areas in the limits and imposing the assessment tax had not been carried out even in the year under review.</p>	<p>Comments had not been submitted.</p>	<p>Necessary arrangements should be made for the imposition of assessment taxes.</p>
<p>(b) Rents</p>		
<p>(i) Since 09 shop rooms and 08 leasable assets belonging to the Pradeshiya Sabha remained idle in the year 2023, the revenue that could have been collected for them had been lost.</p>	<p>-Do-</p>	<p>Assets should utilized productively.</p>
<p>(ii) Arrears of rents amounting to Rs.1,227,589 that had been prevailing prior to the year under review had not been recovered.</p>	<p>-Do-</p>	<p>Arrears of the rents should be recovered.</p>
<p>(iii) Shop rent billing for the year under review had been Rs.522,100, and a sum of Rs.113,500, which was 22 percent of the shop rent billing had not been recovered.</p>	<p>-Do-</p>	<p>Actions should be taken to recover.</p>
<p>(iv) arrears of shop rent amounting to Rs.44,000, which existed before the year under review, and arrears of vehicle rent amounting to Rs.31,190 had not been recovered even in the year under review.</p>	<p>-Do-</p>	<p>-Do-</p>
<p>(c) License Charges</p> <p>The license fee of 01 percent, which should be charged according to the income of 05 hotels registered with the Tourism Board and located within the Pradeshiya Sabha, had not been recovered.</p>	<p>-Do-</p>	<p>Hotels registered with the Tourism Board should be identified and license fees should be collected.</p>

(d) **Other Revenue**

Court fines amounting to Rs.8,600,360 that should have been received from the Chief Secretary of the Provincial Council and from the other authorities as at 31 December 2023 and stamp duty amounting to Rs.22,436,908 had not been recovered.

-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**

Even though by-laws could have been enacted under Section 126 of the Pradeshiya Sabhas Act to fulfill 30 major matters, By-laws had not been enacted for those matters even by 31 December 2023.

Comments had not been made.

Action should be taken to enact the By-laws.

3.2 Management Inefficiencies**Audit Observation****Comments of the Sabha****Recommendation**

(a) Necessary measures had not been taken regarding the discrepancies of assets of the Council as pointed out in the verification of goods for the year ended 31 December 2021 as well as in the verification of goods conducted in the year 2023.

Comments had not been made.

Action should be taken to investigate asset deficiencies and to recover the losses.

(b) Action had not been taken regarding the unauthorized constructions taken place in the limits of Pradeshiya Sabha in the year under review, for which complaints had been received, and the Council had not maintained a register stating details in that regard.

Comments had not been made.

Necessary action should be taken regarding unauthorized constructions.

3.3 Asset Management

Audit Observation

The cement block making machine, the vehicle service center and the 08 shops in the Kavarkkulam shopping complex, which were acquired for the purpose of revenue generation for the Sabha, remained idle without being used for the relevant purposes.

Comments of the Sabha

Comments had not been made.

Recommendation

Action should be taken to utilize assets and to generate revenue.

4. Accountability and Good Governance

4.1. Annual Action Plan

Audit Observation

Even though a sum of Rs.21,569,395 had been received as court fines and stamp duty in the year under review, arrangements had not been made to carry out work to maintain the dilapidated roads in the limits of the Pradeshiya Sabha as per Section 2 of Part III of the Pradeshiya Sabhas Act, No. 18 of 1987.

Comments of the Sabha

Comments had not been made.

Recommendation

The essential maintenance work in the limits of the Pradeshiya Sabha should be carried out by utilizing these amounts.

4.2 Environmental Issues

Audit Observation

As there was no formal system for disposing of the non-biodegradable garbage collected from the limits of the Pradeshiya Sabha, the garbage was burnt and collected in the Council premises in a way that it damages the environment.

Comments of the Sabha

Comments had not been made.

Recommendation

Garbage should be disposed of properly.