

Thirappane Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Thirappane 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 Thirappane 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 Standard 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 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 are 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 include 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) Although the depreciation related to 08 types of assets purchased after 01 January 2020 had been Rs.20,792,412, it had been overstated as Rs.24,611,094.	Accepted.	The accurate value should be accounted.
(b) Although the billing of shop rent in the year under review had been Rs.1,122,450, it had been overstated as Rs.1,185,344 in the statement of comprehensive income.	-Do-	-Do-
(c) A sum of Rs.760,875 received as retention for the contracts entered in to under the LDSP project had been in the general bank account, it had been indicated as a current asset receivable.	-Do-	-Do-

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
There was a difference of Rs.6,093,682 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.	Schedules should be compared with the corresponding reports.

1.6.3 Lack of Written Evidences for Audit

	Subject	Amount Rs.	Audit Evidence not Provided	Comments of the Sabha	Recommendation
(a)	Garbage Tax Arrears	437,320	(i) Detailed Schedules (ii) Time Analysis	Accepted.	Corroborating written evidence must be submitted.
(b)	Arrears Shop Rent	8,980	-Do-	-Do-	-Do-
(c)	Arrears rents of meat shops	90,192	-Do-	-Do-	-Do-
(d)	Library deposits	39,440	-Do-	-Do-	-Do-
(e)	Miscellaneous Deposits	2,115,609	-Do-	-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.2,871,785 and in contrast to that, the expenditure, which had exceeded the revenue in the previous year had been Rs.5,198,874.

2.2 Revenue Administration

2.2.1 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	770,000	909,130	507,815	612,324	908,200	830,738	796,362	211,009
(ii) Rents	7,247,000	5,400,744	4,239,992	1,819,757	6,283,000	3,592,075	3,023,262	659,005
(iii) License Charges	3,829,250	3,134,136	1,234,136	8,597,026	3,508,000	1,533,050	3,200,708	6,697,026
(iv) Other Revenue	8,262,645	5,593,443	3,037,758	5,320,107	7,202,990	3,647,962	4,933,918	2,764,422
	<u>20,108,895</u>	<u>15,037,453</u>	<u>9,019,701</u>	<u>16,349,214</u>	<u>17,902,190</u>	<u>9,603,825</u>	<u>11,954,250</u>	<u>10,331,462</u>

2.2.2 Performance in the Collection of Revenue

The observations in relation to the performance in 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>Action had not been taken to recover assessment tax arrears amounting to Rs.124,871 as at 31 December 2023, and the arrears of garbage tax amounting to Rs.437,320.</p>	Action will be taken to recover.	Arrears amounts should also be recovered.
<p>(b) Rents</p> <p>Arrears of rent amounting to Rs.518,586 to be recovered for renting out assets owned by the Sabha, arrears of rent amounting to Rs.757,150 to be recovered for hiring the machines, arrears of shop rent amounting to Rs.8,980 and arrears of rent to be received from meat shops amounting to Rs.90,190 had not been recovered even by 31 December of the year under review.</p>	Action will be taken to recover.	Arrears amounts should also be recovered.

(c) License Charges

The Sabha had filed a case in the court to recover license fees amounting to Rs.8,597,026 to be recovered from a hotel registered with the Tourism Board.

A case has been filed to recover this amount.

The necessary details for the case should be submitted and action should be taken to recover the amount.

(d) Other Revenue

Court fines amounting to Rs.892,504 to be received from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2023, and stamp duty amounting to Rs.4,011,100 had not been recovered.

Action will be taken to recover these amounts after confirmation.

Arrangements should be made to expeditiously collect the revenue to be received to the Sabha.

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

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

Comments of the Sabha

Comments had not been made.

Recommendation

Action should be taken to enact the By-laws.

3.2 Identified Losses**Audit Observation**

Although an expenditure of Rs.32,500 had been incurred for repairs due to the accident that had occurred to the cab on 19 January 2021, and an expense of Rs.4,800 had been incurred for repairs due to the accident that had occurred to the cab on 30 March 2019, preliminary investigations and final investigations had not been conducted in terms of the Financial Regulations (104) and

Comments of the Sabha

Since action has not been taken in relation to this in terms of the Financial Regulations, it has not been possible to recover.

Recommendation

Action should be taken in terms of the Financial Regulations.

105 to identify the responsible parties and to recover the money.

3.3 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The Labunoruwa library belonging to the Sabha had been closed and necessary action had not been taken to deploy an employee of the Sabha for that purpose and to open and conduct the library.	Action will be taken to open.	Necessary arrangements should be made for opening.
(b) Installation of street lamps in the limits of the Pradeshiya Sabha, repairs related thereto and dealing with public complaints related to that had been completely stopped.	A request has been made to obtain the approval to hire an employee for this purpose.	The work related to the installation of street lamps should be continued.
(c) Even though billings had been done for the year 2023 for 04 shops in Muriyakadawala belonging to the Sabha, the necessary inspections had not been carried out regarding those shops and arrangements had not been made to update the contracts.	Action will be taken to enter into contracts.	Arrangements should be made to enter into contracts.
(d) Action had not been taken to pay the surcharge amounting to Rs.99,077 that should be paid for delaying the contributions to be paid to the Employment Trust Fund for the period from October 2019 to December 2022.	The surcharge will be paid.	Action should be taken to pay the surcharge.

3.4 Asset Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Since the officers of the Sabha had not paid enough attention to the 10 shops in Nachchaduwa owned by the Sabha, the lessees had changed the constructions at their own discretion and Agreement had not been updated and action had not been taken to collect the due assessed rent.	The agreements will be updated and the rent arrears will be recovered.	Agreements should be updated and action should be taken to recover the arrears amounts.

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| (b) | The shop that had been built at Athungama with a cost of Rs.1,431,543 in the year 2020, and the shop that had been built at Dayagama at a cost of Rs.1,472,920 remained idle as there had been no roofs on those shops. | There was no enough money to repair these shops. | Necessary repairs should be carried out for these shops and action should be taken to earn revenue by entering into Agreement. |
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4. Accountability and Good Governance

4.1. Annual Action Plan

Audit Observation

Even though an annual action plan had been prepared for the tasks to be performed by the Sabha according to the annual budget, the functions to be performed under Section 3 of the Pradeshiya Sabha Act had not been mentioned in that plan.

Comments of the Sabha

Comments had not been submitted.

Recommendation

Action should be taken to prepare the action plan accurately.

4.2 Environmental Issues

Audit Observation

Action had not been taken even in the year under review to obtain environmental licenses from the Central Environment Authority for the waste management center belonging to the Sabha and Nachchaduwa cattle slaughter house.

Comments of the Sabha

After completing the deficiencies in these places, action will be taken to obtain the environmental licenses.

Recommendation

Recommended deficiencies required to obtain environmental licenses should be rectified and efforts should be made to obtain environmental licenses.