

Haguranketha Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Haguranketha Pradeshiya Sabha for the year ended 31 December 2023 comprising with the Balance Sheet as at 31 December 2023 and Income and Expenditure Account, 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 (1)154 of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with sub-section (1)172 of the Pradeshiya Sabha Act No. 15 of 1987 and National Audit Act No. 19 of 2018. 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 financial statements give a true and fair view of the financial position of the Institute as at 31 December 2023, and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.2 Basis for qualified Opinion

My opinion is qualified based on 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 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 Generally Accepted Accounting Principles and for such internal control as management determines 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 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 Sabha.

1.4 Scope of Audit (Auditor's Responsibilities 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 judgement and maintain professional scepticism throughout the audit. I also

- Appropriate audit procedure were designed and performed identify and assess the risks 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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pradeshiya Sabha's internal control
- Evaluate the 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
- 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 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 discussions issued by the governing body of the company
- 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 the other legal requirements

The special provisions had been inserted in the National Audit Act No.19 of 2018 in relation to the under-mentioned requirements.

- The financial statements of the pradeshiya sabha are consistent with the preceding year as per the requirement of the section 6(1)(d)(iii) of the National Audit act No. 19 of 2018 .
- As per the requirement of the section 6(1)(d)(iv) of the National Audit Act No.19 of 2018 , the recommendations made by me in the preceding year had been included in the financial statements submitted except the observations (a),(b),(c),(d),(e) of paragraph 1.2.1 of the Summary Report in the preceding year.

1.6 Audit Observations in relation to preparation to the financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the sabha	Recommendation
05 lands and buildings worth of Rs. 330,000 had not been accounted and 119 units indicated in the stores ledger had not been valued and accounted. Furthermore, a fixed asset had been understated by Rs. 550,000.	It will be rectified from the final account 2024.	The action should be taken to accurately account.

1.6.2. Unreconciled Control Accounts

Audit Observation	Comment of the sabha	Recommendation
At the closing date of the year under review, a difference of Rs. 1,663,112 had existed when comparing the balances of 06	The action will be taken not occur this	The action should be taken to rectify the differences.

accounts shown in the financial statements with the balances indicated in the relevant schedules.

kind of faults in the future.

1.6.3. Lack of Documentary Evidence for Audit

Audit Observation	Comment of the sabha	Recommendation
Since the documents and files in relation to aggregate Rs. 3,525,903 of 62 units of machineries and equipment and Rs.356, 341 Ayurveda stock shown in the financial statements had not been submitted, those couldn't be satisfactorily verified in the audit.	The action will be taken to note the quantity having inspected the documents.	The necessary documents should be maintained.

1.7 Non-compliances

1.7.1 Non-compliances to rules, laws and regulations

In the following incidents, it had not been complied with laws, rules and regulations.

Reference to laws, rules and regulations	Non-compliance	Comment of the sabha	Recommendation
(a) Circulars of Local Government Commissioner Circular No.1988/22 dated 17 May 1988	Even the property valuation for Assessment Tax should be carried out quinquennially, the Assessment Tax had been charged in the year under review based on the valuation in 2013.	The Assessment Tax will be charged in 2024.	The action should be taken as per the instructions of the circular.

2. Financial Review

2.1 Financial Results

In accordance with the financial statements submitted, the income exceeded the recurrent expenditure of the sabha for the year ended 31 December 2023 was Rs. 7,029,652 and as against, the recurrent expenditure exceeded the income was Rs. 2,328,001 in the preceding year.

2.2 Income Administration

2.2.1 Estimated Income, Billed Income, Collected Income and Outstanding Income

As per the information submitted by the Secretary, the information on estimated income, billed income, collected income and outstanding income is as follows in relation to the year under review and the preceding year.

Income Source	2023				2022			
	Estimated Income	Billed Income	Collected Income	Total Outstanding as at 31 December	Estimated Income	Billed Income	Collected Income	Total Outstanding as at 31 December
(i) Assessment Tax and other taxes	රු. 4,847,160	රු. 4,621,751	රු. 3,950,978	රු. 1,154,233	රු. 4,294,300	රු. 5,288,672	රු. 5,478,464	රු. 1,760,691
(ii) Stall rents	7,433,000	4,545,010	4,356,413	2,549,918	6,132,600	2,135,839	2,218,859	2,400,253
(iii) License Fees	2,480,000	3,124,423	3,124,423	-	866,200	2,327,862	2,327,862	-
(iv) Other Income	5,573,500	9,333,583	3,011,499	8,367,334	81,723,134	17,970,936	21,212,496	4,607,719
	=====	=====	=====	=====	=====	=====	=====	=====
	20,333,660	21,624,767	14,443,313	12,071,485	93,016,234	27,723,309	31,237,681	8,768,663
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2.2.2 Income Collection Performance

The observations in relation to income collection performance of sabha are as follows.

Audit Observation	Comments of the Sabha	Recommendation
<p>(a) Assessment Tax</p> <p>At the closing date of year under review, an outstanding balance of Rs. 395,330 had existed from 111 units and a balance of Rs. 326,773 which had existed more than 05 years from 90 units included in such balances.</p>	<p>The legal action will be taken to recover the money in due course.</p>	<p>The outstanding income should be recovered as per the provisions of Act.</p>
<p>(b) Rents</p> <p>i. Outstanding stall rent of Rs. 2,214,532 from 12 stalls in public market since 2014 had not been recovered even up to the closing date of the year under review and the outstanding stall rents of 14 stalls in the jurisdiction of Rikillagaskada sub office was Rs. 136,536</p>	<p>The documents will be prepared with regard to filing case and refer to the Commissioner of Local Government.</p>	<p>Outstanding income should be recovered.</p>

and no action had been taken to recover outstanding balances from 01-03 years.

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| ii. | 06 stalls located in Rikillagaskada Public market and 20 stalls in Haguranketha and Hewaheta had been closed without taking action to rent. | These buildings had been referred to obtain the approval required for development of these buildings. | The steps should be taken to safeguard the property of sabha having repaired. |
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(c) Court Fines and Stamp Duty

The court fines and stamp duty to be received from the Chief Secretary and other authorized officers were Rs. 492,584 and Rs. 7,874,750 respectively as at 31 December in the year under review.	The necessary action is being taken to charge the outstanding stamp duty.	The court fines and stamp duty should be brought.
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(d) Other Income

According to Section 154 (1) of the Pradeshiya Sabha Act No. 15 of 1987, no tax of Rs. 79,570 was collected on the sale value of a land sold at public auction.	That arrangements will be made for immediate recovery of the amount	Outstanding amount should be recovered
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03. Operating Review

3.1 Discharging the functions entrusted by the Act

The facts observed on regularization and control of public health, common utility services and common thoroughfares under section 3 of Pradeshiya Sabha Act and the functions to be executed by sabha such as wellbeing, convenience and welfare of people.

Audit Observation	Comment of the sabha	Recommendation
(a) By-laws Even though 12 years had elapsed from the enforcement of by-laws on parking of hired vehicles in the extraordinary gazette notification No.1726/15 dated 06 October 2011, the fess had not been charged having identified the vehicle parking places even up to the closing date of the year under review.	The necessary action is being taken to avoid this situation.	The action should be taken in terms of by-laws.
(b) As per Environment Protection Act No.4 of 1980 amended by the Acts No.53 of 2000 and No.56 of 1988 published in the extraordinary gazette notification No.1523/16 dated 25 January 2008, the	It had been informed in writing and if the payments will be further evaded, the legal action will be taken.	The regulation should be carried out as per the provisions of the Act.

licenses worth of Rs. . 31,500 for 07 businesses on which environment protection license should be obtained for year under review had not been obtained.

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| (c) | In accordance with the sections from 93 to 95 of Pradeshiya sabha Act No.15 of 1987, the gully vehicle service had not been maintained in the jurisdiction of sabha. | A letter had been forwarded to Governor of Central province requesting a gully vehicle. | The action should be taken as per the provisions of the Act. |
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3.2 Assets Management

Audit Observation	Comment of the sabha	Recommendation
(a) The ownership of 76 public burial grounds located in the jurisdiction of sabha had not been taken over to sabha.	The action is being taken to taken over the ownership of the burial grounds located in the jurisdiction of sabha to sabha.	The action should be taken transfer the properties.
(b) 10 buildings such as Aurveda centre, cemeteries, libraries, preschools, lavatories located in the jurisdiction of sabha , 10 stalls in Rikillagakada and buildings of Rahatungoda fair premises had been allowed for destruction without a proper maintenance and a renovation and the protection had not been verified by making fences for certain buildings and lands.	Under development proposals 2024, the approval for financial provision had been granted and it had been referred to Hon. Governor to obtain approval for carrying out further renovations from sabha funds.	The protection should be ensured and the action should be taken to renovate and maintain the buildings and those should be effectively utilized.
(c) Even though the iron frame had been erected by using concrete pillars to be constructed a sports complex in 33’x21’ within Rikillagaskada ground, it couldn’t be utilized due to non-construction of its roof and there was a risk of decaying the iron frame.	The sports society has no money to complete this construction.	The action should be taken to safeguard the sabha’s property.

3.3 Human Resource Management

Audit Observation	Comment of the sabha	Recommendation
<p>At the end of the year under review, there were 35 vacancies in 16 posts and 07 excess in 01 post as per the approved staff. For more than 06 years, the post of secretary, Work Supervisor, pre-school teacher, crematorium operator and backhoe loader operator posts were also vacant. Due to the absence of an Ayurvedic doctor, Haguranketha and Landpitiya Ayurveda Center remained open for patient care services only for one day.</p>	<p>Since the recruitments are not made presently, the vacancies further prevail.</p>	<p>The vacancies should be filed.</p>