

Norwood Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Norwood 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 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with sub-section 172(1) 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 Norwood Pradeshiya Sabha 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 .
- The recommendations made by me in the preceding year as per the requirement indicated in the section 6(1)(d)(iv) of the National Audit act No. 19 of 2018 had been included in the financial statements forwarded.

1.6 Audit Observations in relation to the preparation of the financial statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comment of the sabha	Recommendation
(a)	02 creditors balance of Rs. 70,987 held at the end of the year under review had not been accounted.	The action will be taken to rectify that fault.	The accounts should be accurately prepared.
(b)	Even though an advance of Rs. 99,996 in relation to a construction project with an estimated value of Rs. 499,978 had been paid to the contract society, the creditors had been overstated by Rs. 399,982 due to accounting it as Rs.499, 978.	It will be rectified in preparation of the financial statements with regard to 2024.	- Do -
(c)	Even though at the closing date of the year under review, a loan balance of Rs. 32,850 should be recovered from an officer, it had been overstated by Rs. 152,610 by showing it as Rs.185, 460 in the financial statements.	It will be rectified when the financial statements related to 2024 will be prepared.	The accounts should be accurately prepared.

(d) An amount of Rs. 44,933,882 incurred for the construction of the stalls at Pulliyawatta and Bagawanthalawa had not been capitalized.	The relevant fault is accepted and it will be rectified when the financial statements related to 2024 will be prepared.	The action should be taken to capitalize the asset.
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1.6.2 Lack of Documentary evidence for audit

Audit Observation	Comments of the Sabha	Recommendation
The ledger accounts had not been maintained to verify the balances of Rs. 4,786,836 in the trial balance on 31 December in the year under review.	It will be rectified in due course.	The ledger accounts should be prepared.

1.7 Non-compliances

1.7.1 Non-compliance with rules, laws and regulations

The incidents which had not been complied with the laws, rules and regulations are as follows.

Reference to laws, rules and Regulations	Non-compliance	Comments of the sabha	Recommendation	
(a) Financial Regulations of Democratic Socialist Republic of Sri Lanka	(i) 371 (b)	An advance of Rs. 99,996 in relation to a development project paid on 14 December 2021 had not been settled even up to the closing date of the year under review.	The action will be taken to settle the advance in the future.	The steps should be taken in terms of the Financial Regulations.
(b) Circulars of Local Government Commissioner	i. Circular No. 1988/22 dated 17 May 1988	Even though the property valuation for the Assessment Tax should be performed quinquennially, the Assessment Tax had been charged even up to the date of audit based on the assessment in 2018.	Subsequently, the receipt of the report from the Department of Valuation, it can be documented and implemented in 2025.	The action should be taken as per the circulars.

2. Financial Review

2.1 Financial Results

As per the financial statements submitted, the income of the sabha exceeded the recurrent expenditure for the year ended 31 December 2023 was Rs. 62,920,319 and correspondingly, the income exceeded the recurrent expenditure was Rs.14,687,049 in the preceding year.

2.2 Income Administration

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

In accordance with the information by the Secretary, the details 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
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(i) Assessment Tax and Taxes	3,580,000	3,531,098	3,534,717	286,181	5,320,000	3,102,133	3,657,534	289,800
(ii) Stall rents	11,988,450	10,265,599	9,856,210	2,456,245	11,543,000	8,397,557	8,282,755	2,046,856
(iii) License Fees	1,900,000	3,482,364	3,482,364	-	3,961,000	1,997,048	1,664,544	-
(iv) Other Income	10,000,000	16,558,265	8,859,411	15,939,990	69,036,460	6,177,047	45,652,222	8,241,136
	<u>27,468,450</u>	<u>33,837,326</u>	<u>25,732,702</u>	<u>18,682,416</u>	<u>89,860,460</u>	<u>19,673,785</u>	<u>59,257,056</u>	<u>10,577,792</u>

2.2.2 Income Collection Performance

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

	Audit Observation	Comments of the sabha	Recommendation
(a) Rents	The totalled rent of Rs. 1, 958,876 had not been charged from 02 stalls located in Abagamuwa and Bagawanthalawa areas at the end of year under review.	The action should be taken to file a case to charge.	The outstanding income should be charged.

(b) Other income

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| i. | As per section 154(1) of Pradeshia Sabha Act No. 15 of 1987, a 1 percent tax of Rs. 1,517,803 had not been charged from 59 land lots sold in auction by a private institute. | The laws required for recovery the money had not been formulated. | The action should be taken as per the provisions of the Act. |
| ii. | As per the information given by the Tourist Board, a tax of 1 percent from income had not been charged as trade license fee from 05 hotels approved by the Tourist Board within the jurisdiction of the sabha. | The case couldn't be filed on this matter due to not having a Revenue Inspector for several years. | The outstanding income should be recovered. |

(c) Court Fines and Stamp duty

The court fines and the stamp duty receivable on 31 December of the year under review from the Chief Secretary and the other authorized officers of the sabha were Rs.703, 489 and Rs.15, 236,501 respectively.	The action will be taken to recover the outstanding amounts.	The remaining outstanding income should be brought.
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3. Operating Review

3.1 Discharging the functions entrusted by the Act

The facts observed on carrying out the functions by the sabha under section 3 of Pradeshia Sabha Act such as regulation and control of the facts on public health, common utility services and common thoroughfares, and the functions to be discharged by the sabha like wellbeing ,convenience and welfare of the people.

Audit Observation	Comment of the sabha	Recommendation
(a) As per section from 79 to 84 of Pradeshia Sabha Act, no development activity on drainage had been carried out by the sabha in the year under review in the sabha's jurisdiction.	Since there is an adequate financial position in the sabha presently, it is expected to be performed such activities in the future.	The action should be taken by sabha to be performed the responsibilities assigned by the Act.
(b) In accordance with the sections from 93 to 95 of the Pradeshia Sabh, a gully vehicle service had not been maintained for the sewerage and the waste disposal.	Since there is an adequate financial position in the sabha presently, it is expected to be performed in the future.	The action should be taken by sabha to be performed the responsibilities assigned by the Act.
(c) In accordance with Chapter 27 of Pradeshia Sabha Act No.15 of 1987,	Since there is an adequate financial position in the sabha presently, it is	The action should be taken by sabha to be performed the

the roads belonging to the sabha had not been published in the gazette.

expected to be performed in the future.

responsibilities assigned by the Act.

- (d) In accordance with section 108 of the Pradeshiya Sabha Act No. 15 of 1987, the potable water had been distributed to the people without following a water treatment method.

Since there is an adequate financial position in the sabha presently, it is expected to be performed in the future.

The action should be taken by sabha to be performed the responsibilities assigned by the Act

3.2 Management Inefficiencies

Audit Observation	Comment of the sabha	Recommendation
(a) The building development licenses had been issued in relation to 09 plans located within 25' street lines boundary as per section 49(a) of the Pradeshiya Sabha Act No.15 of 1987 and within 50' street lines of main road as per section 42 (2)(1)(a) and (b) of the National Thoroughfares Act No.40 of 2008 dated 01 December 2008.	In due course, the development licenses will not be issued for the plans located within 50' street lines of main road.	The provisions of the Act should be followed.
(b) In accordance with section 49(a) of Pradeshiya sabha Act, no compensation agreements in relation to 07 constructions erected within the minimum boundary of building of pradeshiya sabha roads. The recommendations of the National Building Research Organization had not been obtained also.	The action will be taken as per the provisions in due course.	The provisions of the Act should be followed.
(c) In accordance with section 134(1) and 139(2) of Pradeshiya Sabha Act, the necessary action had not been taken in relation to 195 building plans approved from 2018 to 30 June in the year under review.	The action will be taken not to be happened such incidents in due course.	The provisions of the Act should be followed.
(d) 24 lands belonging to sabha had not been accounted having valued.	The valuation of land had been commenced.	The action should be taken to account having assessed.

3.3 Assets Management

Audit Observation	Comments of the sabha	Recommendation
(a) It was observed that the land where Bagawanthalawa slaughter house is located belonging to sabha had been used by the people in the adjacent house in an unauthorized manner.	The conflicting situation had arisen on the ownership of the land and it couldn't be taken the legal action on unauthorized possession.	The protection of the property should be verified.
(b) 19 compost containers worth of Rs. 94,759 purchased in the year under review had not been used and remained idle in sabha premises.	The necessary action will be taken in future for the distribution.	It should be utilized for the objected purpose.
(c) Since Honsi water pumping station, chlorination room, the net covering of water tank are not adequate, the water treatment had not adequately occurred owing to refuse addition to water, non-usage of chlorination room and addition of chlorine to water in an informal way.	After removing water from the gully vehicles, the pits will be checked and in due course, it will be constructed and renovated.	The action should be taken to provide the clean drinking water to the public.
(d) Even though the latrine of Norwood library is being subsided , it had not been renovated and the land adjacent to Norwood police had not been effectively used.	The action will be taken to demolish and construct it again and the steps will be taken to conduct a weekly fair in the land adjacent to Norwood police.	The action should be taken to protect the sabha's property.
(e) Norwood public toilet, toilet located in Aurveda and toilet in bagawanthalawa bus-stand couldn't be used due to quick filling of water in the gully.	The action will be taken to renovate the latrines in the future.	The action should be taken to utilize after making renovations.
(f) The ownership of 09 vehicles belonging to sabha had not been taken over to sabha even up to 31 December in the year under review.	02 trailers provided by Abagamuwa Pradeshiya Sabha are in a dilapidated condition and the action will be taken to transfer the ownership in the future.	The steps should be taken to transfer the ownership.

3.4 Human Resource Management

Audit Observation

The approved cadre of the sabha is 96 and there were 73 vacancies related to 18 posts as at 31 December in the year under review and 46 vacancies in the approved posts such as field, labourer, health labourer, watcher, electrician, crematory operator, office employee assistant and crematory assistant had obstructed in carrying out the basic functions of the sabha such as public health and waste management.

Comments of the Sabha

Since the approval had not been granted for the recruitment of 46 posts, it couldn't be recruited.

Recommendation

The vacancies should be filled.

3.5 Identified Losses

Audit Observation

The action had not been taken as per F.R. 104 in relation to shortage of library books of Rs. 92,007 occurred in 2020 and the year under review.

Comments of the Sabha

The books which can't be used had been removed from the accession register and the necessary action will be taken by the members of the survey board.

Recommendation

The action should be taken in terms of the Financial Regulations.