

Pallepola Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Pallepola 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 Pallepola Pradeshiya Sabha as at 31 December 2023, and of its financial performance for the year then ended in accordance with Generally accepted Accounting Practices

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 Generally Accepted Accounting Practices, 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 (1)16 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 scepticism 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 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)	The court fine of Rs. 191,235 received for the year 2016, in the same year was considered as income of the reviewed year and was accounted as court fine due on December 31.	The accounts will be adjusted and corrected in the year 2024.	It should be properly identified and accounted for.
(b)	Pre-school rent and rental income of Puranaguma building totaling Rs.46,054 as on 31st December of the year under review had not been accounted for.	-Do-	-Do-

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to non-submission of fixed asset registry, stock registry and files in 03 asset subjects of Rs.1,805,368 and a liability subject of Rs.2,633,724 shown in the financial statements of the year under review, it was not possible to verify satisfactorily during the audit.	The documents will be updated and the information will be looked up and the correct information will be presented in the year 2024.	Documented information related to account balances should be prepared.

1.7 Non-compliance

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

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

Reference to Laws, Rules Regulations etc	Non-compliance	Comments of the Sabha	Recommendation
(a) Parliament Acts			
Section 15(3) (c) of the National Audit Act No. 19 of 2018	The performance report submitted for the year under review did not include information regarding the objectives achieved by the Pradeshiya Sabha, future expectations, key performance indicators and resource utilization.	The performance report of the year 2024 will be prepared.	It should act according to the provisions of the Act.
(b) Rules			
Rules 59 of the Pradeshiya sabha (Finance and Administration) rules of 1988	At the beginning of the year, No survey was conducted and a list was prepared regarding industries and commercial businesses that should be licensed within the Sabha area of authority.	A survey is being conducted for licenses and business taxes for the year 2024	It should act according to the rules.
(c) Local Government Letters			
Paragraph 03 of letter No. CPC/CLG/1/3/2/3 dated 12 November 2021	The approval of the Local Government Commissioner was not obtained for the repairs of a tractor trailer paying Rs.870,289 .	The approval of the Commissioner of Local Government will be taken.	The instructions in the article should be followed.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs. 16,916,319 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 9,403,216 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

According to the information presented by the Sabha relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below

	Source of Revenue	2022				2021			
		Estimated Revenue Rs.	Revenue billed Rs.	Revenue Collected Rs.	Arrears as at 31 December Rs.	Estimated Revenue Rs.	Revenue billed Rs.	Revenue Collected Rs.	Arrears as at 31 December Rs.
(I)	Rates and Taxes	2,559,600	2,441,566	2,466,260	433,954	3,469,600	1,540,208	1,520,113	500,480
(II)	Rent	5,949,000	4,776,939	4,499,260	548,710	5,958,000	3,988,182	3,690,591	271,062
(III)	License Fees	1,560,000	1,035,580	1,035,580	-	1,312,000	801,396	921,596	-
(IV)	Other revenue	46,914,500	26,890,656	32,870,465	14,731,094	39,634,500	28,524,412	25,732,119	21,259,261
	Total	56,983,100	35,144,741	40,871,565	15,713,758	50,374,100	34,854,198	31,864,419	22,030,803

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Sabha are given below

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Rates and Taxes		
	Arrears of assessment amounting to Rs.84,071 had not been collected as on December 31 of the year under review from 11 assessment units where the outstanding assessment balance exceeded Rs.5,000 per unit, for a period of 2 to 18 years.	Arrears will be charged in future.	Arrears of assessment tax should be collected.
(b)	Court fines and Stamp duty		
	court fines of Rs.883,893 and stamp duties of Rs.11,008,795 was due from the Chief Secretary and other authorities of the Central Province, as of December 31 of the year under review	The arrears will be recovered immediately.	Court fine and stamp duty receivables should be recovered.

3. Operational Review

3.1 Fulfillment of functions assigned by the Act

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below

Audit Observation	Comments of the Sabha	Recommendation
<p>According to the water sample test of the year 2020, out of the 06 water projects operating in the Pradeshiya Sabha area, it was confirmed that the water in 04 projects is not suitable for drinking. According to the inspection report, the Sabha had failed to provide clean water of standard quality to 1576 water consumers due to lack of efforts to improve the quality of water.</p>	<p>The actions are taken to protect the quality of water sources.</p>	<p>Clean drinking water should be provided.</p>

3.2 Management inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
<p>(a) The total of 02 accounts receivable balances as at the end of the year under review was Rs.42,263,812. Out of this, the sum of Rs.41,699,551 between 1 year and 5 years and the sum of Rs.550,035 of the account balances that exceeded a period of 5 years had not been recovered.</p>	<p>Arrangement will be made to recover arrears.</p>	<p>The receivables should be collected.</p>
<p>(b) As on the end of the year under review, the accrued development project creditor balance was Rs.53,637,875. Out of this, a total of Rs.41,485,941 was not settled between 1 year to 5 years.</p>	<p>Amount payables will be settled.</p>	<p>Arrangements should be made to settle the payable amounts.</p>
<p>(c) 59 units of furniture and office equipment were not assessed and accounted for</p>	<p>It will be included in the future final accounts</p>	<p>Fixed assets should be assessed and accounted for</p>

3.3 Operational inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Although 196 building development permits were approved during the period 2019 to 2022, Conformity certificates were not issued for 158 building development permits. During that period, 52 unapproved applications were not followed up.	Due to non-completion of shortcomings, They were not approved.	Conformity certificates should be issued and follow-up should be done.
(b)	Although 88 water meters were inactive in 06 water schemes belonging to the Sabha as on the date of audit, only a fixed water fee of Rs.950 was charged from the water consumers without repairing the inactive water meters or installing new water meters instead.	Only fixed water charges are charged	Water meters should be installed and charged.

3.4 Idle or underutilized Property, Plant and Equipment

	Audit Observation	Comments of the Sabha	Recommendation
	02 concrete mixers and 03 vehicles totalling Rs.3,826,818 belonging to the Sabha remained idle for a period between 2 and 15 years.	The Local Government Engineer has been referred to obtain the valuation reports for the auction.	Assets should be repaired or disposed of.

3.5 Asset management

	Audit Observation	Comments of the Sabha	Recommendation
	There was no arrangement to take over the ownership of 16 plots of land with an area of 13 acres 2 roods 18.5 perches worth Rs.972,961 used by the Sabha for cemetery and other, within the Sabha area of authority.	The measures will be taken to carry out the survey work and take over.	Measures should be taken to take over the ownership of the respective lands.

3.6 Human Resource Management

Audit Observation

Five employees were employed for office work and other duties outside of their regular posts. Due to this, it was observed that there is a problem of adequate performance of road maintenance and development works and library works.

Comments of the Sabha

That the existing staffs are not enough for the institutional function.

Recommendation

Employees should be engaged in regular duty.

4. Accountability and good governance Budgetary Control

Audit Observation

Without specifically identifying the need, prioritizing and preparing engineering estimates, the budget document had been prepared including an estimated value of Rs. 16,800,000 for the total of 42 development projects. Also, the development projects included in the budget had been amended by the General Assembly/ Sabha on several occasions.

Comments of the Sabha

The budget estimates for development projects will be prepared based on engineering estimates

Recommendation

Budget should be prepared after obtaining engineering estimates.