

Minipe pradeshiya sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Minipe pradeshiya sabha including the financial statements for the year ended 31st December 2023 comprising the Balance sheet as at 31st December 2023, Income and Expenditure account, 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 and with the provisions of the National Audit Act No.19 of 2018 read in conjunction with sub section 172(1) the Pradeshiya Sabha Act No.15 of 1987. 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 Minipe pradeshiya sabha as at 31st 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 regarding financial statement 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 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 financial reporting process.

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.

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 include specific provisions for following requirements.

- 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.
- The financial statements presented includes all the recommendations made by me in the previous year of this report as per the requirement of section 6(1)(d)(iv) of the National Audit Act, No.19 of 2018.

1.6 Observations regarding the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) During the year under review, Rs.115,542 was less than for the repair of Hasalaka Public Library and covering of Hasalaka Gurulupotha water tank and Rs.4,607,472 had been capitalized when the project of construction of a water filter for Hasalaka Gurulupotha water tank without complete had been disclosed in the financial statements.	Will be corrected in the financial statements in 2024.	The buildings should be accounted correctly.
(b) 05 UPS batteries worth of Rs.23,800 that were purchased last year had not been accounted and wooden furniture and equipment worth Rs.218,350 that were purchased for the day care center were accounted under land and buildings.	-Do-	The assets should be accounted correctly.
(c) A stamp duty income in relation to the previous year of Rs.615,750 recognized in the year under review had been considered and accounted as income of the year under review.	-Do-	Revenue should be account correctly.

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| (d) | In receiving the sum of Rs.247,289 related to the 23 cases mentioned in the general deposit account, although the general deposit account was debited, credit notes had not been kept. Due to this, it was not clear how the accounts were balanced. | This will be checked and rectify. | The double entries should be kept correctly. |
| (e) | The receivable fixed deposit interest at the last day of the year under review amounting to Rs.214,189 was not accounted. | Will be corrected in the financial statements in 2024. | The receivable interest income should be accounted correctly. |
| (f) | During the year under review, under-allocation of unpaid salaries and wages and expenses creditors amounting to Rs.106,248 had not been accounted. | -Do- | The creditors should be accounted correctly. |
| (g) | In stock accounting, the sabha had followed a method of debiting the purchase and expense accounts for the year, crediting the cash book and then debiting the total expenses to stock account and crediting the expense accounts, but the stationery purchases of Rs.1,602,198 were credited to the expense account twice. Due to this, the expenses of the year had been understated by that amount. Due to this, it was not clear how the account was balanced. | Will be corrected in the financial statements in 2024. | The expenses should be accounted correctly. |
| (h) | While bringing forward the employee loan balance as on the opening date of the year under review, the identified difference of Rs.192,664 should have been debited to the suspense account, but the difference had been debited to the accumulated fund and written off. | -Do- | -Do- |

1.6.2 Suspense Account

Audit Observation	Comments of the Sabha	Recommendation
The balance of the suspense account in last year, was Rs.367,300, which had increased up to Rs.1,318,262 as of 31 st December of the year under review, and the necessary adjustments in the accounts had not been checked and settled.	That the errors that have occurred in the preparation of the account will be corrected by the account of the year 2024.	Deficiencies should be identified and the suspense account should be settled.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
It could not be satisfactory verified during the audit due to non-submission of documents, files and schedules in relation to 05 asset balances of Rs.937,286 and a liability balance of Rs.8,030,316 shown in the financial statements.	Will be further investigated and reported.	Necessary schedules should be maintained accurately to verify account balances.

1.7 Non- Compliances

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

Non-compliances with Laws, Rules, Regulations and Management decisions as follows.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a)	Pradeshiya Sabha Act no 15 of 1987			
(i)	Section 24	212 roads mentioned in the sabha road inventory had not been published in the gazette.	A certain amount of road survey work will be completed and road gazette work will be done from the year 2024.	The provision of the act should be followed.

- (ii) Section 127 The sabha had not taken over the ownership of 99 plots of land used for public purposes. That a plot of the land owned by the Commissioner of Lands has been surveyed after payment of survey fees, and that a investigation will be conducted in relation to the lands with problem. Action should be taken to acquire the ownership of the lands.
- (b) Section 05.6 of Local Government Commissioner Circular No. 3/4/10/ Common dated 17 March 2023 In using the vehicles of the sabha outside of the sabha area of the pradeshiya sabha the approval of the District Local Government Assistant Commissioner should be obtained, but without obtaining such approval the vehicle was used on 20 occasions and Rs.163,434 was spent for 519 liters of fuel. That he has only participated in the affairs of the pradeshiya sabha and in addition to the related duties, he has been used for corporate duties such as Assistant Local Government Commissioner, Local Government Department, etc. Vehicles must be used with formal approval

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 31st December 2023 amounted to Rs.10,502,728 as compared with the excess of revenue over recurrent expenditure amounted to Rs.12,284,008 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 the Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Revenue sours	Estimated revenue	2023			Total arrears as at 31 st December	Estimate d revenue	2022		
		Billed revenue	Collected revenue				Billed revenue	Collected revenue	Total arrears as at 31 st December
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
(i) Rates & Tax	1,335,885	1,389,485	1,293,683	2,937,444	1,335,885	1,333,672	848,500	2,841,642	
(ii) Rent income	4,681,391	5,498,461	4,178,375	16,018,132	7,592,442	5,627,771	4,187,388	14,698,046	
(iii) License Fees	1,262,500	2,070,175	2,118,400	208,650	1,717,000	1,360,008	1,279,477	256,845	
(iv) Other Revenue	7,499,219	18,869,569	19,583,448	14,904,470	12,609,000	16,147,595	10,114,377	15,618,349	
Total	14,778,995	27,827,690	27,173,906	34,068,696	23,254,327	24,469,046	16,429,742	33,414,882	

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		
(i) 158(1) of Pradeshiya Sabha Act No. 15 of 1987 as on 31 st December of the year under review Rs.747,164 due from 35 properties whose rates provisional liability exceeded Rs.10,000.	That mobile service programs are conducted to collect further Receivables.	Action should be taken to collect the due rates.
(ii) As on 31 st December of the year under review, an amount of Rs.251,680 had not been collected from 68 rates units of 15 government institutions.	That the relevant institutes have been informed to collect the arrears	The arrears income should be collected.
(b) Rent		
An amount of Rs.3,234,477 had not been collected from 29 stalls and 02 mobile stalls in 05 public markets belonging to the sabha as on 31 st December of the year under review. From that, the uncollected balance from 01 to 05 years was Rs.1,553,560 and the balance that should have been charged from more than 05 years was Rs.1,104,599.	Although letters were continuously invited to the lessees to sign the agreements, since they did not come, it was not possible to enter into the agreement, and due to the delay in handing over the lands with shops to the sabha, it was not possible to take legal actions also.	Action should be taken to collect the arrears of rent.
(c) Water Income		
As at 31 st December of the year under review, there was an outstanding water fees of Rs.5,834,512, out of which the outstanding balance between 01 and 05 years was Rs.1,513,355 and the outstanding balance for more than 05 years was Rs.1,814,520. had not been collected also.	The arrears of water chargers will be collected by conducting special mobile services	Arrears revenue should be collected.

(d) Advertisement Board Chargers

As on 31st December of the year under review, an amount of Rs.208,650 had not been collected from 28 advertisement boards. That a survey will be conducted and 28 reminder letters had been sent. The arrears of advertisement boards revenue should be collected.

3. Operational Review

3.1 Performance 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
(a) As per the provisions of Sections 79 to 84 of the Pradeshiya sabha Act No.15 of 1987, the sabha had not carried out any development works related to drainage during the year under review.	A survey will be conducted along with the upcoming development proposals and suggestions received from the public and new constructions will be carried out on priority basis	The functions of the Act should be performed for the general welfare of the people of the area.
(b) According to Sections 93 to 95 of the Pradeshiya sabha Act No.15 of 1987, transportation of excreta and waste treatment should be done by the Pradeshiya sabha, but the attention of the Pradeshiya sabha was not focused on procuring a gully bowser and starting a sewage treatment unit.	It is planned to make a request to the Local Government Commissioner to get a gully bowser and to start a waste treatment unit at Tittawella garbage yard.	The tasks to be performed for the general public health should be performed.
(c) Under Section 27 of the Pradeshiya sabha Act No.15 of 1987, the improvement of roads and the construction of new roads under the authority of the sabha is the responsibility of the sabha, but no money was spent from the	Priorities are being identified and work is being done and since the sabha does not have sufficient funds, roads will be constructed through shramadana campaign.	The public utility services should be improved.

sabha fund for the construction and improvement of roads during the year under review.

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| (d) | Water samples were not tested in 11 water projects maintained by the Pradeshiya sabha and the quality of water distributed to consumers was not identified. It was observed that not enough attention was paid to the health of the area people. | That a project to provide purified drinking water is planned to be started as a new source of income for the Pradeshiya sabha and has been forwarded for approval. | The condition of the water should be checked and action should be taken to provide quality water. |
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3.2 Identified Losses

Audit Observation

In the year 1997, due to the demolition by the former chairman of a foundation built illegally on a land owned by the sabha, a lawsuit was filed claiming a loss of Rs.500,000 and since no one represented the sabha, Rs.500,000 was awarded as compensation and Rs.30,500 as court fees. A unilateral court decision was given to pay a sum of Rs.530,500. For this loss of Rs.530,500, it was decided to charge Rs.134,950 each from 04 persons through the investigation of F.R.104(04), but it was not charged.

Comments of the Sabha

That the necessary arrangements for the lawsuits have been made.

Recommendation

Actions should be taken to recover losses from the responsible persons

3.3 Management Inefficiencies

Audit Observation

- (a) As at 31 December of the year under review, tax amounting to Rs.1,280,711 had not been collected from the rent of 09 assets owned by the sabha. The balance that was not charged from 01 to 05 years was Rs.1,177,211 and the balance that was not charged for more than 05 years was Rs.103,500.

Comments of the Sabha

That the recovery of this arrears is currently underway.

Recommendation

Action should be taken to collect the arrears income.

- (b) Rs.11,255,232 should have been charged from 20 stall in Hasalaka market complex but the tenants had failed to pay this amount, and during the inspection of the files of these satalls had not been entered to the agreement between the sabha and the tenants after the year 2009.
- Although the sabha has informed in writing in this regard, the lessees have not shown any compliance.
- All taxes should be collected on time and unauthorized constructions should be removed.

According to the rent agreement of all the stalls although the size of 13 X 29 feet, these stalls were constructed with a length of 13 X 60 feet, and the tenants of the stalls are permanently settled behind the shop, and the upper floor buildings of this market place although the construction should be done by the sabha, there were cases where the tenants had built the upper floors without permission and the money that should have been charged at once had not been collected.

- (c) At the end of the reviewed year, the industrial debtor balance was Rs.2,458,970, and which the balance that was overdue for a period of 01 to 05 years of Rs.39,083, and the balance that was over 05 years of Rs.746,961 had not been collected.
- That the correct information will be presented in this regard
- Action should be taken to collect the receivable balances.
- (d) The total development projects creditor balance as at 31st December of the year under review of Rs.854,044, and the total of the balances that had exceeded between 01 and 05 years of Rs.74,083, and the balance that had exceeded 05 years of Rs.779,961 had not settled.
- Due to non-effective completion of development projects in 2012 and 2013, final installments have not been paid.
- Action should be taken to settle the payable balance.
- (e) An amount of Rs.451,027 from 05 weekly fairs given to the rent on
- The relevant parties have been notified in writing to collect the
- Action should be taken to collect the arrears income.

annual basis by the sabha had not been collected or taken legal action from the year 2020. arrears, and necessary actions will be taken to take legal action.

- (f) The total number of water consumers in the sabha is 1,864, out of which 271 water meters were inactive, but these water meters had not been made to worked. Due to the charging of Rs.250 from domestic customers and Rs.500 from business customers with inactive water meters, the sabha had lost its receivable income. That a survey has been done on non-functioning water meters and accordingly, water meters are being installed. Water meters should be installed and charges should be collected.

3.4 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
(a) As of the last day of the reviewed year 03 vehicles totaling Rs.1,978,050 have not been in running condition for about 08 years, and these vehicles had not been repaired or disposed.	The cab and tractor are being repaired and the trailer is being auctioned.	The relevant measures should be completed immediately.
(b) 17 name boards worth Rs.297,500 prepared for three-wheeler parking station in the year 2020 were retained in the warehouse without being fixed.	That they are planning to implement this project by coordinating with Hasalaka Police and placing three-wheeler parking stations in a systematic manner.	Three-wheeler parking station should be regularized and charges should be collected.
(c) The 7,000 square feet area of the second floor of the multi-purpose building built under the Pura Negguma project at a cost of Rs.71,949,560 remained unutilized even at 31 st December of the year under review.	That it has been planned to implement an effective project here with the support of the Urban Development Authority and the private sector.	It should be used for effective work.

3.5 Assets Management

Audit Observation

An unauthorized occupant has occupied a plot of land of about 07 perches in the Hasalaka weekly fair land assigned to the pradeshiya sabha by transfer order No. 4/3/9672 dated 20th October 2000, but no action has been taken to remove the intruder.

Comments of the Sabha

That legal action has now been taken by the Local Government Commissioner regarding the removing of the intruder.

Recommendation

The unauthorized acquisitions should be removed.

3.6 Delays in projects, tasks or capital works

Audit Observation

An amount of Rs.286,155 was spent for the construction of Weragantota drinking water scheme In the year 2012 but the project was abandoned as the construction was done without proper standards.

Comments of the Sabha

That the water project has been abandoned due to un standard construction.

Recommendation

The planned works should be performed as scheduled.

3.7 Human Resource Management

Audit Observation

There were 12 vacancies in 08 posts and 02 excess in one post as compared to the approved and actual staff of the sabha.

Comments of the Sabha

As no new recruitment is being made, vacancies are available.

Recommendation

The employee vacancies should be completed.

4 Accountability and good governance

Sustainable Development Goals

Audit Observation

According to the provisions of the Sustainable Development Act No.19 of 2017, the pradeshiya sabha had not focused on 04 objectives to be fulfill.

Comments of the Sabha

No comments.

Recommendation

Sustainable development goals should be focused on.