

## **Panwila Pradeshiya Sabha - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Panwila 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 Panwila 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 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 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

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
As at the end of the year under review, under fixed assets in the financial statements, the building balance was overstated by Rs.235,602 due to the inclusion of the unpaid value to the contractor of Rs.235,602 in the building of Huluganga Viewing Point of Rs.12,165,075.	It will be corrected soon.	Schedules should be correctly prepared.

### 1.6.2 Documentary Evidences not made available for Audit

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
In the schedules relating to fixed assets in the balance sheet, the values of 19 lands and buildings amounting to Rs.64,087,086 as at the end of the year under review, could not be identified separately.	A formal assessment will be conducted in the future.	It should be correctly accounted for.

## 1.7 Non- Compliances

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

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

	<b>Reference to Laws, Rules Regulations etc</b>	<b>Non-compliance</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	Section 19 (xi) of the Pradeshiya Sabha Act No. 15 of 1987	07 vacant land plots of 09.69 perches owned by the Sabha had been allowed to be used by external parties without the approval, assessment and agreement of the minister.	The tax period has not exceeded 03 years.	It should be complied with the Act.
(b)	The Local Authorities (Standard By-Laws) Act No. 06 of 1952			
(i)	By-laws regarding parking of three-wheelers	Charges of Rs.675,975 were not collected from 198 three-wheelers from 2019 to 2023 at 26 three-wheeler parking points in the Sabha area.	The arrears will be recovered in the future.	It should be complied the provisions of the Act.
(ii)	By-laws on Advertisement	Rs.243,668 fees were not collected during the year under review from 158 Advertisement	The arrears will be recovered.	It should be complied the provisions of the Act.
(c)	Rules 218 of the Pradeshiya Sabha (Finance and Administration) of 1988	No land and building survey was conducted in relation to the year under review.	The survey will be conducted in the future.	It should act according to the rules.
(d)	571(3) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	The lapse deposits of Rs.490,000 of 04 stall tenants were not settled.	It will be settled	It should be complied with financial regulations.

## 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.3,339,713 as against the excess of recurrent expenditure over revenue amounted to Rs. 301,966 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 Secretary 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	2023				2022			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	1,472,500	1,865,341	2,105,403	888,886	2,663,363	1,790,807	1,838,121	1,128,948
(ii) Rent	3,964,920	3,076,450	1,739,250	6,161,900	2,631,600	2,373,290	1,154,160	4,824,700
(iii) License Fees	1,719,239	1,604,195	1,488,004	602,809	1,926,000	1,362,790	1,520,667	486,618
(iv) Other revenue	5,072,200	6,078,539	6,588,050	6,610,639	5,811,800	6,596,636	5,703,291	7,120,150
	<u>12,228,859</u>	<u>12,624,525</u>	<u>11,920,707</u>	<u>14,264,234</u>	<u>13,032,763</u>	<u>12,123,523</u>	<u>10,216,239</u>	<u>13,560,416</u>

#### 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
<b>(a) Rates and Taxes</b>		
(i) At the end of the year under review, the arrears of assessment balance was Rs.888,886, and the total of 24 assessment units where the assessment arrears in one unit exceeded Rs.5,000 was Rs.190,798.	The arrangements have been made to recover the arrears in the coming year.	Revenue should be charged as per the provisions of the Act.

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| (ii) | According to Section 20 of the Assessment and Valuation Ordinance No. 30 of 1946, the assessed property Should be assessed every 05 years, but according to the assessment report of 2016, assessment tax was collected for the year 2023.  | It will be assessed in the next year.                       | It should be assessed and revenue recovered.                |
| (b)  | <b>Stall Rent</b><br>Although the stall rents of 30 stalls in the public trade complex belonging to the Sabha were assessed in 2016 and this assessment was implemented in the year 2019, the stall owners had rejected the assessment and defaulted on the rent payment. Due to this, a total of Rs. 5,872,250 stall rents were not recovered from the year 2019 to the end of the reviewed year | The arrears will be recovered legally.                      | Stall rent in arrears should be recovered.                  |
| (c)  | <b>Other Income</b><br>At the end of the year under review, the balance of outstanding water charges was Rs.958,674, and the total of 82 water consumer units whose water charges exceeded Rs.5,000 per unit was Rs.656,030.  | The arrears will be recovered in the future.                | Arrears of water charges should be charged.                 |
| (d)  | <b>Court Fine and Stamp Fees</b><br>Court fines amounting to Rs.387,247 and stamp duty amounting to Rs.3,988,000 were due from the Chief Secretary of the Provincial Council and other authorities on December 31 of the year under review.   | Requests have been made to the Local Government Department. | Outstanding stamp duty and court fines should be collected. |

### 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.

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) According to the water sample test reports conducted in the year 2023 of 03 water projects belonging to the sabha in the reviewed year, the concentration of E Coli bacteria and the concentration of Coliform bacteria were in unfavorable condition. According to Section 78 (1) of the Pradeshiya Sabha Act No. 15 of 1987, the Sabha was supposed to act as the public health authority in relation to that, but without any concern about it, contaminated water that is unsuitable for drinking was distributed to the public.	Action will be taken to provide clean water.	Arrangements should be made to distribute clean water.
(b) In accordance with the provisions of Section 93 (b) of the Pradeshiya Sabha Act No. 15 of 1987, no gully service was maintained to enable regular cleaning and emptying of pits for disposal of sewerage in the houses of area.	Lack of financial capacity to purchase.	Action should be taken as per the provision of the Act.

#### 3.2 Identified Losses

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Although there were 22 computers in the schedule of machines and machinery submitted to the financial statements as of the last day of the year under review, while there were physically 18 computers, there was a deficiency of 4 computers of Rs.172,560	It will be corrected in the future.	Deficiencies should be identified and necessary action should be taken.

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| (b) | There was a shortage of 51 equipment related to 08 units of goods, In the board of survey conducted at the end of the year under review, | The loss will be recovered. | Loss should be calculated and recovered. |
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**3.3 Management Inefficiencies**

**Audit Observation**

**Comments of the Sabha**

**Recommendation**

The total of 02 accounts receivable balances as on December 31 of the year under review was Rs.357,075, out of which the total of account balances between 3 and 5 years was Rs.36,200 and the total for more than 5 years was Rs.17,223.

The arrears will be recovered.

The money should be collected within the relevant period.

**3.4 Idle or underutilized Property, Plant and Equipment**

**Audit Observation**

**Comments of the Management**

**Recommendation**

The Knuckles Resort, which was built at a cost of Rs.2,000,000 in the year 2015, remained idle and underutilized by the end of the year under review. Although this building was built with the aim of attracting tourists and earning income, it had been left to destroy without fulfilling its intended purpose.

There was underutilization due to non-availability of provision.

It should be used for productive work.

**3.5 Assets Management**

**Audit Observation**

**Comments of the Management**

**Recommendation**

The Sabha had not taken over the ownership of the land belonging to the State Plantation Corporation, where the Knuckles Tourism Center was built at a cost of Rs. 9,586,975 in the years 2017-2022,

It will be taken over

Ownership should be taken over



### 3.6 Defects in Contract Administration

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>Based on the provisions of the State Ministry of Provincial Sabhas and Local Government, A circuit bungalow had been constructed, at the Facilitation Centre for Knuckles Tourists, which was estimated Rs.14,000,000 in 2021 and contracted for Rs.13,087,407. Later, the contractor had completed work of Rs. 5,866,560 and submitted the bills on 30 May 2022. Due to non-payment of bills during that period, the project had been abandoned without completing a work amounting to Rs.7,220,847. Later, the Ministry paid Rs.4,664,004 to the contractors on May 29, 2023 and prepared an estimate of Rs.18,365,000 in the year under review to resume the project for the abandoned works. Due to not being allowed to finish the works within the stipulated time, there was a loss of Rs.11,144,153.</p>	<p>It will be constructed under a new estimate.</p>	<p>The building should be constructed and utilize for a useful purpose.</p>

### 3.7 Human Resources Management

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
<p>(a) In comparing the approved staff with the actual staff, there were 10 vacancies in 07 posts and 05 excess in one post.</p>	<p>Relevant parties have been informed about the vacancies and the surplus staff will be employed.</p>	<p>Relevant work should be done according to the approved staff.</p>
<p>(b) There was a total loan balance of Rs.555,919 from one officer suspended from service in the year under review, and two employees who died in the year 2020.</p>	<p>Action will be taken to recover the loans.</p>	<p>Action should be taken to recover the loans.</p>

**4. Accountability and Good Governance**  
**Sustainable Development Goals**

**Audit Observation**

According to the provisions of the Sustainable Development Act No. 19 of 2017, although the sabha had identified sustainable development objectives and targets, it had not taken steps to achieve them.

**Comments of the  
Sabha**

The related activities will be carried out in the future.

**Recommendation**

Sustainable development goals and targets should be identified and measures should be taken to achieve them and to identify indicators.