

## **Pasbage Korale pradeshiya sabha - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Pasbage Korale pradeshiya sabha including the financial statements for the year ended 31<sup>st</sup> December 2023 comprising the Balance sheet as at 31<sup>st</sup> 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 Pasbage Korale pradeshiya sabha as at 31<sup>st</sup> 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.

- (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 of this report as per the requirement of section 6(1)(d)(iv) of the National Audit Act, No.19 of 2018.

### 1.6 Audit observation on the preparation of Financial Statements

#### 1.6.1 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Interest receivable of Rs.57,013 in respect of Savings Deposit Account as on the last day of the year under review was stated under Debtors in the financial statements despite the fact that it was received on the last day of the year under review.	This had been stated under debtor, because this interest amount was unable to identified and since the receipt was issued in January 2024.	Income should be accurately identified and accounted.

## 1.6.2 Documentary Evidences not made available for Audit

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
It was not possible to verify satisfactorily in the audit due to non-submission of schedules, files and documents of 05 asset subjects totaling Rs.186,249 and 04 liability subjects totaling Rs.333,828 shown in the financial statements.	The schedules and documents related to these accounts could not be found in the books of accounts of the previous years, and this problem has arisen due to the non-transfer of subjects formally.	The necessary schedules to confirm the account balances should be maintained correctly.

## 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.

<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
<b>Pradeshiya Sabha Act no 15 of 1987</b>			
(a) Section 128	The action had not been taken to acquire the 56 lands and buildings worth Rs.52,710,635 which are used for public purpose by sabha.	That the lands and buildings mentioned in here will be acquired in future.	Action should be taken to acquired he ownership of the lands and buildings.
(b) Section 149	The 01 percent of income of the previous year receipt from the hotel registered under tourist board in sabha area had not been taken	That 01 percent income will be charged in the year 2024.	The provisions of the act should be followed.
(c) Finance Commission Secretary's letter No.FC/PDP/01/0	Rs.228,150 spent on sabha fund to give goods aid without obtaining the prior approval of the minister in charge.	Since there was a direct allocation for the program, the program was organized by calling the prices and	Approval should be obtained and the works should be carried out as per

1/2023-II dated 02<sup>nd</sup> November 2023 and Section 132(j) of the Pradeshiya Sabha Act No.15 of 1987

bearing the above the provisions of the expenses the Act and the circulars.

## 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<sup>st</sup> December 2023 amounted to Rs.28,356,264 as compared with the excess of revenue over recurrent expenditure amounted to Rs.14,076,675 in the preceding year.

### 2.2 Revenue Administration

#### 2.2. 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 sources	2023			Total arrears as at 31 <sup>st</sup> December	2022			Total arrears as at 31 <sup>st</sup> December
		Estimated revenue	Billed revenue	Collected revenue		Estimated revenue	Billed revenue	Collected revenue	
		(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
(i)	Rates income	6,610,000	6,111,765	5,622,187	6,534,288	5,540,000	5,364,782	4,654,563	6,044,710
(ii)	Rent income	3,313,475	680,565	683,391	128,557	3,313,475	1,830,956	2,006,906	131,383
(iii)	License Fees	1,082,000	777,850	768,350	9,500	885,850	832,410	749,260	83,150
(iv)	Other Revenue	39,773,000	36,110,421	30,459,593	27,740,611	22,742,000	30,120,325	30,902,650	22,089,783
	<b>Total</b>	<u>50,778,475</u>	<u>43,680,601</u>	<u>37,533,521</u>	<u>34,412,956</u>	<u>33,486,325</u>	<u>38,148,473</u>	<u>38,313,379</u>	<u>28,349,026</u>

#### 2.2.2 Performance in Revenue Collection

	Audit Observation	Comments of the Sabha	Recommendation
(a)	An income of 43 million rupees had been billed in the year under review and 38 million rupees had been	No Comments	Action should be taken to collect the arrears income.

collected along with the arrears related to the previous year. The outstanding income which was 28 million rupees as on 31<sup>st</sup> December last year had increased up to 34 million rupees by the end of the year under review.

**(b) Rates and Taxes**

A total of Rs.119,777 due from 18 rates properties with a deficit of more than Rs.5,000 per assessable unit had not been collected by 31<sup>st</sup> December of the year under review. According to Section 158(1) of the pradeshiya sabha act had not been taken to action collect these arrears of rates.

Action will be taken to collect the arrears.

Arrears rates should be collected.

**(c) Water Tax**

Receivable water charges of Rs.2,258,646 had not been collected for more than 03 years in 19 water projects of the pradeshiya sabha.

That the arrears will be collected.

Arrears income should be collected.

**(d) Acreage tax**

Arrears of Rs.52,106 had not been collected as on 31<sup>st</sup> December of the year under review from 31 properties where tax is charged above Rs.1,000 per acre.

That the arrears will be collected.

Arrears income should be collected.

**(e) Advertisement Board Fees**

Rs.290,091 has not been collected which has been outstanding for more than a year in relation to 25 advertisement boards installed in the sabha area.

That notifications has been given verbally as well as in writing

Arrears income should be collected.

**(f) Court fines and stamp duty**

Court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities on 31 <sup>st</sup> of December year under review were Rs.1,542,511 and stamp duty was Rs.26,198,100	That stamp duty arrears and court fines will be collected.	Court fines and stamp duty should be collected.
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**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.

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) Drinking water had been distributed without refining the water to 4,100 consumers in 19 water projects owned by the sabha and water sample had not tested also.	The water sample will be tested in 2024.	Action should be taken to test the quality of the water.
(b) According to sections 93 to 95 of the pradeshia sabha act, it is stated that necessary action should be taken for the removal and transportation of excrement in the houses of the sabha area but there was no program for the removal of excrement and the related gully bowser service was maintained.	That the letter had been send mentioning the necessary of the gully bowser.	The functions of the Act should be performed for the maintenance of public health in the sabha area.
(c) The public markets or weekly fairs had not been established and operated for the benefit of the residents As per 119 of the pradeshiya sabha act.	That the sabha has tried to conduct the weekly fair.	Action should be taken to start a weekly fair.
(d) An income of Rs.1,033,400 was earned from the sale of tickets in the Galaboda water Fall tourist zone in the year under review but by-laws had not enacted for that purpose.	That the by-laws of the year 2024 will be prepared.	Action should be taken to enact the By-Laws.

### 3.2 Uneconomic transactions

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Although 27 officers of the sabha participating in a trip to observe the waste yard of Tissamaharamaya pradeshiya sabha spent Rs.281,255 on 1 and 2 September of the year under review but without establishing a waste management unit of the sabha daily collected waste had been disposed to the Nawalapitiya urban council waste yard. According to that the Rs.281,255 of spent for observation trip had been fruitless.	The expenses had been incurred from the sabha fund due to awareness about waste management is an essential issue.	The experience of the observation trip should be implement.

### 3.3 Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) Although it was decided to charge Rs.173,747 from the responsible parties in connection with the damage caused to a backhoe belonging to the sabha but Rs.113,744 had not been collected by the end of the year under review.	02 basic installments are charged from the monthly allowance, and the remaining 08 installments will be charged from the monthly allowance.	The losses should be charged.
(b) The sum of Rs.3,579,406 water connection fees outstanding for more than 05 years was not collected from 587 water consumers of 06 water projects belonging to the sabha.	That the outstanding will be collected	Action should be taken to collect the outstanding.
(c) The development projects debtors amounting to Rs.25,366,398 had not been collected for a period between 01 and 05 years as on the last day of the year under review.	That the outstanding will be collected	The receivable balances should be collected.



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| (d) | The total of 02 payable accounts balances as on the last day of the year under review was 33,657,568. The balance between 01 and 05 years of Rs.24,962,545 and the balance for more than 05 years of Rs.616,594 had not been settled.   | That the payable balances will be paid.              | The payable balances should be settled.              |
| (e) | The related money had not been paid to the contractor until the land was not acquired on which the Balantota North community centre was built for Rs.1,500,000 in 2014 based on the provisions of the Pura Neguma project. Although the contractor ask for the money in continuously the debtor and credit balances had been write off from the accounts. | That will be corrected by the final account of 2024. | Debtors and Creditors write off should be corrected. |

### 3.4 Procurement Management.

#### **Audit Observation**

Without following tender procedure as per Pradeshiya Sabha (Financial and Administrative) Rule 177 of 1988 based on the hand quotations prices obtained for the purchase of brass deity of 1½ feet height with 05 faces from a 03 firm which had submitted minimum price of Rs.350,000 had been paid after receiving approval to the supplier company to get a brass deity with one face.

#### **Comments of the Sabha**

The payment was made as the company supplying the idol told us to make the payment before supplying the idol to us and the hand price was obtained from a company importing idols from India.

#### **Recommendation**

The orders goods should be purchase as per the rullles.

### 3.5 Human Resources Management

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
<b>(a) Employees vacancies and excess</b> Comparing the approved carder and actual carder there were 08 vacancies in 07 posts and 08 excess in one post.	That constant demands have been made.	Vacancies should be filled.
<b>(b) Employee Loans</b> Employee loans of Rs.394,585 due from 03 officers who had transferred and left the service had not been collected.	The outstanding loan balances will be collected.	The employee loan balances should be collected to the sabha.