

## **Pujapitiya Pradeshiya Sabha - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Pujapitiya 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 Pujapitiya 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.

- 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 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 Policies

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	The value of 06 projects that have been paid from 2020 to the year under review of Rs.1,149,486, and 09 projects of Rs.1,050,000 that have not been reached to an agreement in 2021 and the previous year, by accounting as creditors, the creditors have been overstated by Rs.2,199,486.	It will be corrected in the coming year.	It should be correctly accounted for.
(b)	04 debtor balances of Rs.802,608 settled during the year under review and previous years were further shown under debtors.	-Do-	-Do-
(c)	The value of 04 units of furniture and fittings and a Motor vehicle was not identified and accounted for.	An assessment will be obtained and accounted for.	Assets should be accounted for.

## 1.6.2 Unauthorized Transactions

Description of unauthorized transaction	Comments of the Sabha	Recommendation
At the end of the year under review, 39 debtor balances of Rs.4,044,650 under Journal Notes 59 and 60 and 109 credit balances of Rs.5,957,616 under Journal Notes 66 and 67 were written off to the Accumulated Fund without formal approval.	Action will be taken to discuss and make decision.	Formal approvals should be obtained and necessary action taken.

## 1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to non-submission of schedules and balance confirmation in respect of 03 items of assets amounting to Rs.9,123,236 shown in the financial statements, they could not be satisfactorily verified.	It will be corrected in the future	Documents, files and schedules related to account balances should be maintained.

## 1.7 Non- Compliances

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

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

Reference to Laws, Rules	Non-compliance	Comments of the Sabha	Recommendation
<b>Regulations etc</b>			
(a) Section 12(1) (a) of the Housing and Urban Development Ordinance	As per the orders issued, no action was taken by the Sabha regarding 06 buildings which were constructed without obtaining a development permit.	Legal action will be taken.	It should be complied with the Act.
(b) Rules, 218 of the Local authorities (Finance and Administration) 1988	Land and building survey was not carried out.	The survey will be conducted in the future.	It should act according to the rules.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

Financial regulation 571(3) 07 lapsed miscellaneous deposit balances of Rs.1,904,323 and 07 retention deposits were not settled. In the future it will be complied to F.R. It should be complied with Financial regulation

## 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.28,861,015 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 11,558,476 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	Estimated Revenue	2023			2022			
		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	4,309,000	4,436,291	5,432,139	2,658,450	4,306,980	4,361,957	2,801,917	3,654,298
(ii) Rent	6,540,000	6,416,060	6,056,038	651,394	5,129,648	4,381,873	4,083,675	291,372
(iii) License Fees	2,575,150	2,425,460	2,425,460	-	2,702,050	2,485,635	2,485,635	-
(iv) Other revenue	33,249,400	39,679,175	19,048,816	58,447,126	25,643,240	20,607,650	9,194,648	37,816,767
	46,673,550	52,956,986	32,962,453	61,756,970	37,781,918	31,837,115	18,565,875	41,762,437

### 2.2.2 Performance in Revenue Collection

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

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
<p>(a) <b>Rates and Taxes</b> At the end of the year under review, the outstanding assessment tax balance was Rs.2,637,257, and a total of Rs.479,366 was not recovered from 54 assessment units where assessment tax arrears exceeded Rs.5,000 per unit.</p>	<p>The arrangements have been made to collect the arrears of income.</p>	<p>Arrears of revenue should be collected.</p>
<p>(b) <b>Court Fine and Stamp Fee</b> Court fines amounting to Rs.816,851 and stamp duty amounting to Rs.56,386,881 were due from the Chief Secretary of the Provincial Council and other authorities as on December 31 of the year under review.</p>	<p>It will be recovered.</p>	<p>Respective stamp duty and court fines should be collected.</p>

## 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>
<p>Although Rs.400,000 was paid to the Land Reform Authority in the year 2013 as fees for surveying and taking over the proposed Enesalmada land for waste management, the land had not been taken over and the waste management activities had not been implemented by the date of audit.</p>	<p>The money spent will be recovered</p>	<p>Waste management should be implemented.</p>

### 3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) A balance of Rs.3,221,904 had not been paid to the Contributory Pension Fund since 2008.	The inquiries were made to the Pensions Department.	Arrangements should be made to settle.
(b) The land called Ambathanna Kingscourt was sub-divided by a private company under Phase III between 1994 and 2004 and sold at auction, a plot of land with 156 perches for community and recreational purposes was not taken over by the Sabha. At the end of the reviewed year, the plot of 23 perches that had been taken over by the Sabha remained idle without being used for any public purpose and without safety fences.	The plots of land have not been taken over and the acquired land will be utilized for productive use.	Non acquired lands should be taken over and those lands should be used for purposeful activity
(c) Pursuant to section 12 of the by-laws regarding inspection of plans and collection of fees for the construction of buildings within the limits of the Pradeshiya Sabha published by Extraordinary Gazette No. 1955/7 dated February 23, 2016, 123 perches of land for community and recreational purposes were not assigned to the Sabha from Panorama Park land and Helen's garden in Ambathanna area, and in terms of Section 154 (1) of the Pradeshiya Sabha Act No. 15 of 1987, 1 percent tax was not collected from those lands.	A PET bottle container is being constructed.	The concerned land should be used for a purposeful activity.

### 3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
03 vehicles totaling Rs.13,919,744, and a machinery and one vehicle of which value cannot be determined, remained idle and underutilized for a period of 03 to 07 years.	Action will be taken to repair and transfer to another Sabha.	Arrangements should be made to repair and put into use and dispose of the unusable assets.

### 3.4 Assets Management

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
The ownership of 31 lands and buildings used by the Sabha had not been taken over and the ownership of the ton roller of Rs.7,967,144 had not been taken over.	They will be taken over.	Assets should be taken over.

### 3.5 Delays in Project Activities or Capital work

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Without the recurring income of previous years' being used for regional development, Rs.37,450,000 had been invested in fixed deposits,	It had been invested for improving fixed assets	It should be used for regional development activities.

### 3.6 Human Resources Management

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
In comparing the approved staff with actual staff, there were 20 vacancies in 11 posts and 11 surpluses in 1 post	That there are vacancies due to implementation of government policies and surplus posts are development officers.	Staff should be approved.

## 4. Accountability and Good Governance Sustainable Development Goal

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
According to the provisions of the Sustainable Development Act No. 19 of 2017, the Sabha had identified sustainable development objectives and targets but had not achieved them.	Action will be taken to reach the goals.	Sustainable development objectives and goals should be identified and implemented.