

Tumpane Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Tumpane 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 Tumpane 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

	Audit Observation	Comments of the Sabha	Recommendation
(a)	At the end of the year under review, the stock of stationery, documents and hygiene items was under-accounted by Rs.301,795.	It will be corrected in the future.	Accounts should be prepared correctly.
(b)	At the end of the year under review, the stock of water fittings was over-accounted by Rs.505,653.	It will be promptly settled and submitted for audit.	Accounts should be corrected.
(c)	In the year under review, Rs.229,597 spent on 03 occasions for the construction of the internal walls of the building in front of Sujatha Vidyalaya was not debited under capital expenditure and was shown under repair and maintenance of capital assets. Also, the cost was not capitalized.	It will be corrected	Accounts should be submitted correctly.
(d)	At the end of the year under review, 63 units of Rs.82,781, which should be shown under machinery and equipment, were accounted for, under stationery stock.	-Do-	It should be correctly accounted for.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
(a) There was a difference of Rs.530,812. Since the total of the balances shown in the source documents was Rs.12,288,609, in relating to the 03 account subjects with the total of Rs.11,862,037 shown in the financial statements.	That differences will be investigated and corrected	Account balances should be corrected
(b) Although there was a discrepancy of Rs.1,939,500 between the office equipment balance shown under fixed assets in the financial statements prepared in the year 2019 and the balance in the related schedule, without looking into the reasons for the discrepancy and correcting the asset balances, The accounts had been balanced till the year under review, by adding Rs.1,939,500 as a council hall table under fixed assets in the schedule as a forged asset.	It will be promptly investigated and forwarded for audit.	Assets should be correctly accounted for.

1.6.3 Unauthorized Transaction

Description of unauthorized transaction	Comments of the Sabha	Recommendation
At the end of the year under review 151 debit balances of Rs.16,147,144 under 53 journal entries and 347 credit balances of Rs.40,979,132 under 54 journal entries were written off to the accumulated fund without formal approval.	The approval was obtained from the Management Committee	A formal approval should be obtained while writing off the debtor and creditor balances

1.6.4 Documentary Evidences not made available for Audit.

Audit Observation	Comments of the Sabha	Recommendation
Due to non-submission of documents related to 15 debtor balances and one credit balance amounting to Rs.1,892,397 shown in the financial statements, they could not be satisfactorily verified during the audit.	The information will be corrected after verification.	Documents related to account balances should be maintained up to date.

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
Regulations etc			
(a) Pradeshiya Sabha Act No. 15 of 1987 Section 154(1).	The land called Moragaskotuwa Vatta with a land area of 20.3 acres 03 roods 03 perches was divided into 35 plots valued at Rs. 28,300,000 and all the plots were auctioned, but the 1 percent tax due from the sale value of 33 plots had not been collected. .	The relevant institution will be informed	It should act as per the provisions of the Act and recover the relevant taxes from the sale value.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) F.R.. 104(3) and 104(4)	05 vehicles that were involved in an accident of Rs. 181,670 in the period from 2014 to 2023, F.R. investigations had not been completed and the recommendations had not been implemented.	The relevant investigations have been completed.	Recommendations should be implemented.
(ii) F.R. 571(3)	During the period from 2015 to 2019, 62 lapsed deposits of Rs.1,231,095 were not settled.	Action will be taken to settle.	It should be complied with financial regulations.
(c) Public Administration Circular No. 30/2016 dated 29 December 2016	After 2020-2022, fuel combustion tests were not done on 03 vehicles owned by the Sabha	That the relevant test will be carried out as soon as possible.	It should be complied with Circular.

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. 26,534,929 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 25,743,785 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	4,044,000	4,575,130	5,425,673	1,582,183	3,524,100	4,194,538	4,259,000	2,432,726
(ii) Rent	4,858,600	6,422,793	6,546,551	285,089	5,156,000	4,780,730	5,261,153	408,847
(iii) License Fees	1,650,000	1,513,300	1,702,421	-	1,640,000	1,683,077	1,493,955	189,121
(iv) Other revenue	48,380,500	26,861,411	33,624,306	27,019,483	48,643,000	42,685,891	47,448,703	33,782,378
	58,933,100	39,372,634	47,298,951	28,886,755	58,963,100	53,344,236	58,462,811	36,813,072

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		
	At the end of the year under review, the outstanding assessment balance was Rs.1,017,262 and the total assessment arrears from 02 assessment units of which the arrears in a unit exceeded Rs.10,000 was Rs.44,580 and from 11 assessment units that exceeded Rs.5,000, the total was Rs.107,487.	It had been planned to collect revenue in arrears.	Revenue in arrears should be recovered.

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| <p>(b) Other Income
At the end of the reviewed year, the arrears of water charges was Rs.1,101,131, and in 2 units whose water charges arrears per unit exceeding Rs.10,000 was Rs.33,706 and in 18 units above Rs.5,000 was Rs.117,894.</p> | <p>Action will be taken to recover the arrears of income</p> | <p>The revenue in arrears should be recovered.</p> |
| <p>(c) Court Fine and Stamp Fees
Court fines amounting to Rs.842,827 and stamp duty amounting to Rs.23,782,820 were due from the Chief Secretary of the Provincial Council and other authorities on December 31 of the year under review.</p> | <p>It will be recovered in the future.</p> | <p>Court fines and stamp duty 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.

Audit Observation	Comments of the Sabha	Recommendation
<p>(a) Without using the recurring income of previous years for regional development Rs.32,481,422 had been invested in fixed deposits.</p>	<p>It will be used for development activities in the future.</p>	<p>Surplus money should be used for development activities.</p>
<p>(b) 03 development proposals amounting to Rs.1,606,000 allocated in the annual budget were not implemented during the year under review.</p>	<p>It will be implemented in the future.</p>	<p>It should be performed within the stipulated periods.</p>
<p>(c) In the year 2020, the construction of 02 water projects under the Sapirigam community-based provision was assigned to the contracting parties based on the estimated allocation of 4,000,000, but the construction of the two water projects was not completed so that they could be used, and the construction was stopped in the mid-way during the year 2021, the amount of Rs.3,890,024 paid at the end of the year under review for these projects had become useless.</p>	<p>There is no capacity to take over and maintain the project.</p>	<p>Planned tasks should be performed.</p>

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| (d) | According to the provisions of Section 93 (b) of the Pradeshiya Sabha Act No. 15 of 1987, a gully service was not maintained to enable proper cleaning and emptying of pits for the disposal of sewerage in the houses of area. | There is no proper place to dispose of waste. | It should be complied with the provisions of the Act. |
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3.2 Identified Losses

Audit Observation	Comments of the Sabha	Recommendation
<p>The Motor vehicle used by the former chairman In 2014, which was provided by the Ministry of Industry of the Central Provincial Council, caught fire and had an accident, but the former chairman did not file a complaint with the police and take legal action. In this regard, although an investigation under M.R.104(3) had been conducted after 03 years of the accident, the persons responsible had not been identified by the end of the reviewed year. This Motor vehicle was completely destroyed and according to the sabha report dated February 16, 2023, It was observed that there has been a loss of approximately Rs.1,009,400, as the cost to be incurred for of repairing the Motor vehicle so as to start it is Rs.1,009,400.</p>	<p>F.R. 104 (3), investigation will be conducted and the responsible parties will be identified.</p>	<p>The responsible parties should be identified, recover damages and take appropriate legal action.</p>

3.3 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation	
(a)	<p>The sum of 03 accounts receivable balances as on December 31 of the year under review was Rs.3,777,159, out of which the sum of account balances relating to 3 to 5 years was Rs.1,431,615 and the sum for more than 5 years was Rs.1,418,190.</p>	<p>The arrears will be recovered.</p>	<p>Receivable balances should be charged.</p>

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| (b) | The total of 02 accounts payable balances as on December 31 of the year under review was Rs.6,470,628, of which the account balances between 3 and 5 years were Rs.200,000 and the total for more than 5 years was Rs.4,000,000. | It will be investigated and settled. | Creditor balances should be settled. |
| (c) | According to the provisions of the Urban Development Authority Act No. 41 of 1978, buildings should be constructed after obtaining a development permit, but even when Sabha has not approved the issuance of building development permits due to shortcomings in the applications, irrespective of it, although buildings had been constructed on 03 occasions, the Sabha had not taken any action in this regard. | Formal action will be taken | The provisions of the Act should be followed. |
| (d) | According to the F.R. 104 (4) investigation which was carried out regarding the use of Rs. 4,000,000 which received for the strengthening program of Pradeshiya Sabha implemented in 2014, to pay employee salaries outside of the relevant purpose, the recommendations given that the money spent for that should be paid to the provincial council within a month or if the related money is not paid, the stamp duty and court fines given by the provincial council should be withheld and the money should be sent to the relevant ministry, had not been implemented by the end of the year under review. | Local authorities have been informed. | Expenditure should be subject to formal approvals. |

3.4 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
04 vehicles and one machine totaling Rs.27,020,461 remained idle and underutilized for a period between 01 and 08 years.	Action will be taken to repair or auction.	Assets that can be repaired and used, should be repaired and other assets should be disposed of.

3.5 Assets Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The ownership of the land of 50 cemeteries used by the Sabha had not been taken over.	It has been referred to obtain transfer orders.	Legal right should be taken over.
(b)	The total value of 05 land plots of 17 perches of 127 roods in the land and building register at the end of the year under review, had not been identified and accounted for.	It will be assessed and accounted for.	Assets should be identified and accounted for.

3.6 Human Resources Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Employee vacancies and Surplus Comparing the approved staff with the actual staff, there were 20 vacancies in 10 posts and 20 excess in 02 posts.	Relevant parties have been informed about the vacancies and the surplus staff will be deployed in duties..	Relevant work should be done according to the approved staff.
(b)	Staff Loan A loan balance of Rs. 304,287 of three officers who had transferred in relation to the period from 2018 to 2023 had not been recovered.	The transferred institutions have been informed.	Loan should be recovered.

4. Accountability and Good Governance Sustainable Development Gols

	Audit Observation	Comments of the Sabha	Recommendation
	According to the provisions of the Sustainable Development Act No. 19 of 2017, although the Sabha had identified sustainable development objectives and targets, indicators for achieving them and measuring progress had not been identified.	Sustainable development goals and targets will be identified.	Objectives and targets should be identified and implemented.