

Kuliyapitiya Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kuliyapitiya Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023, and statement of financial operations, statement of changes in equity, cash flow statement 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 the Provisions of the 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 Kuliyapitiya Pradeshiya Sabha as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practices .

1.2. Basis for Qualified Opinion

I express qualified opinion in respect of financial statements based 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 Sri Lanka Public Sector Accounting Standards, 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 of the Pradeshia Sabha 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 Pradeshia 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 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 Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) The value of Rs. 58,000 of 04 UPS received in the stores on 24 April 2023 had not been accounted under machinery equipment.	Accept.	It should be accurately accounted for.
(b) The difference between the creditor balance and the schedule of payable balance as at 01 January 2023 amounted to Rs.159,466,238 had been written off without having balance confirmation.	-do-	-do-
(c) The value of motor grader had been understated by Rs 3,225,000 and the water bowser valued at Rs 350,000 had not been accounted for as at 31 December of the year under review.	Accept.	It should be accurately accounted for.
(d) The value of a land master , which was not physically available at the Sabha valued at Rs.79,500 and the total value of 07 garbage carts amounted to Rs.248,965 had been understated as at 31 December of the year under review.	-do-	-do-

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Secretary	Recommendation
The balance shown in the employee loan account was Rs 24,637,905 as at the last day of the year under review and the balance of the related schedule was Rs. 24,372,504 and there was a difference of Rs 265,401 .	Agree with the observation.	Financial statement balances and related schedules should be accurately prepared.

1.7 Non-compliance

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

Reference to Laws, Rules, Regulations, Management Decisions etc.	Non-compliance	Comments of the Secretary	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 570	Actions had not been taken to credit the house rent deposits amounted to Rs. 9000 and 06 industrial deposits valued at Rs.345,640 to the government revenue in terms of the Regulation.	Agree with the observation.	Actions should be taken in terms of Financial Regulations.
(b) Pradeshiya Sabha Financial and Administrative Rules			
(i) Rule 61	Although all the projects included in the list obtained after conducting an annual survey should be included in the Register of Project Taxes, actions had been taken to enter only fee paying businesses in the register. Tax-free projects were not included in the documents and no legal action had been taken in this regard.	-do-	Actions should be taken as per relevant rule instructions.

(ii) Rule 218 Although an annual survey of land and buildings shall be conducted by a Board appointed under the Rule, it had not been so done. -do- -do-

(c) **Local Government Circulars**

(i) Circular No. 2018/elocal Citizens were not facilitated to submit applications and make payments online. Agree with the observation. Actions should be taken as per the Circular.

(ii) Circular No. 03/2015 and dated 02/11/2015 The Register of Street Lights was not kept up to date. Agree with the observation. Actions should be taken as per the Circular

2. Financial Review

2.1 Financial Results

As per the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2023 was Rs. 53,217,456 and the correspondence revenue that exceeded the recurrent expenditure of the preceding year was Rs. 63,416,758 .

2.2 Revenue Administration

2.2.1 Estimated Revenues, Billed Revenues, Collected Revenues and Arrears of Revenues

As per the information presented by the Secretary , the details about the estimated revenue, billed revenue, collected revenue and arrears of revenue presented for the year under review and the previous year are as follows.

Source of Revenue	Year 2023				Year 2022			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December (from Billed Revenue)	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December (from Billed Revenue)
Rates and Taxes	Rs.000. 3,750	Rs.000 4,329	Rs.000. 4,474	Rs.000. 798	Rs.000. 3,609	Rs.00 3,851	Rs.000. 3,797	Rs000. 887
Rents	11,871	11,136	11,130	2	10,984	10,537	10,556	5
License Fees	1,163	1,041	1,104	-	1,160	1,064	1,064	-
Other Income	21,201	10,501	10,502	164	15,669	18,785	17,867	330
Total	37,985	27,007	27,210	964	31,422	34,237	33,284	1,222

2.2.2 Performance of Revenue Collection

Audit Observation	Comments of the Secretary	Recommendation
(a) The arrears of rates balance and acreage tax remained as at 31 December of the year under review were Rs 554,764 and Rs 243,365 respectively.	Agree with the observation.	Actions should be taken promptly to recover arrears of rates and lease rents..
(b) The court fines and stamp duty receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2023 were Rs 17,239,937 and Rs 81,676,048 .	-do-	Actions should be taken promptly to collect of court fines and stamp duty.
(c) Nineteen leasable productive lands and 08 leasable properties belonging to the Sabha with a minimum bid value of Rs 524,340 had not been used for lease and to generate income in the year 2023.	Agree with the observation.	It should be used for income generation.

3. Operational Review

3.1 Performing of Tasks enacted by the Act.

Audit Observation	Comments of the Secretary	Recommendation
Although the capital expenditure of Rs.601,490 and recurrent expenditure of Rs 676,773 had been incurred for solid waste management, the revenue from the sale of waste had been Rs 75,050.	Agree with the observation.	Actions should be taken to manage biodegradable and non-biodegradable waste properly and to develop income generation activities.

3.2 Management Inefficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) The value of 09 accounts receivable as at 31 December of the year under review was Rs.115,184,826 .	Agree with the observation.	Actions should be taken to recover the balances receivable immediately.
(b) The total value of 16 accounts payable balances as at 31 December of the year under review was Rs.60,103,391.	-do-	Balances payable should be settled.

(c) Due to the fact that the Sabha does not conduct the annual survey of projects, trade business establishments in a formal manner, the Sabha has lost the opportunity to earn an income that could have been earned or had to incur additional costs to earn that income.	Agree with the observation	The survey of projects, trade business organization should be properly carried out.
(d) Proper and adequate arrangements had not been made to carry out follow-up on building applications rejected by the Sabha for various reasons and to find out whether the construction has been completed or not.	-do-	An appropriate and adequate programme should be developed and implemented in respect of building applications.

3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Secretary	Recommendation
(a) The Sabha did not have any information about the date or the way of receipt of the jeep parked in the Sabha vehicle park and, it was revealed that it has been used since 2013 according to the logbook maintained in relation to this vehicle. The jeep is in a very dilapidated condition by now and no appropriate action has been taken with regard to it.	Agree with the observation.	Actions should be taken to utilize the idle assets.
(b) Two pre-schools maintained by the Pradeshiya Sabha, 15 tube wells had remained inactive and the gym and its equipment in the old Pradeshiya Sabha building premises had remained underutilized.	Agree with the observation.	Actions should be taken to utilize the idle assets.

3.4 Assets Management

Audit Observation	Comments of the Secretary	Recommendation
(a) The Register of Fixed Asset for land buildings, furniture equipment and vehicles and machinery had not been maintained up to date.	Agree with the observation.	Register of Fixed Asset should be maintained up to date.

(b) Street lights owned by the Sabha had not been numbered and street lights installed after 2022 had also not been documented.	-do-	-do-
(c) The ownership of 02 cabs and a motorcycle used by the Sabha, the ownership of 102 out of 107 cemeteries maintained by the Sabha, the ownership of the land where 64 tube wells are located, the right ownership of the land where the Kithalawa sathipola and the library are located had also not been transferred to the Sabha even by the end of the year under review.	Agree with the observation.	Actions should be taken to formally transfer ownership of assets to the Sabha.
(d) The motor grader and the two white iron bowsers attached to two tractors had not been registered with the Department of Motor Traffic.	Agree with the observation.	They should be registered with relevant legal organizations.

3.5 Human Resource Management

Audit Observation	Comments of the Secretary	Recommendation
There were 16 vacancies and 30 excesses in the approved staff of the Sabha.	Agree with the observation.	The staff requirement should be periodically reviewed.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Secretary	Recommendation
Although the Sabha had prepared an Action Plan that includes the tasks to be performed in relation to the year under review, out of the 24 specific activities identified, the progress of 6 was less than 50 per cent and the progress of 6 activities was between 50 per cent and 75 per cent.	Agree with the observation.	The progress of the Action Plan should be developed.

4.2 Budgetary Control

Audit Observation	Comments of the Secretary	Recommendation
There were variations of 25 per cent to 94 per cent between estimated and actual income in 04 income items and there was a variation of more than 20 per cent between the estimated provision and the actual expenditure in 04 expenditure objects.	Agree with the observation.	Budget should be prepared by making a forecast of income and expenditure at the beginning of the year.