

Kobeigane Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kobeigane 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 Kobeigane 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 Pradeshiya 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 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 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
Accounting of the assessed value of backhoe machine under machinery and equipment Rs.3,000,000 to motor vehicles and carts Account considering as assessed value of Kubota hand tractor, the motor vehicles and carts account had been overstated by Rs 2,853,000 .	Accept.	Assets should be accurately accounted for.
(b) The value of the Kahatagahamulahena land had been overstated by Rs.100,000 as at 31 December of the year under review.	-do-	Financial Statements should be accurately accounted for.
(c) Three items of furniture and equipment valued at Rs 41,100 and 07 items of machinery valued at Rs. 364,452 purchased during the year had not been accounted under assets as at 31 December 2023 .	Accept	Assets should be accurately accounted for.

(d)	Fifty five project deposits remained in the Register of Project Deposit and not confirmed as settled totalled Rs. 3,470,707 had not been accounted for.	-do-	Deposits should be accurately accounted for.
(e)	A creditor balance of Rs. 79,205 relating to the year under review had not been accounted for.	-do-	Financial Statements should be accurately accounted for.

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Secretary	Recommendation
There were discrepancies of Rs.93,383 between the balances shown in the financial statements of 03 accounting items and the balances in the related schedules at the end of the year under review.	Actions will be taken to correct.	Financial statement balances and related schedules should be prepared accurately.

1.6.3 Lack of Written Evidence for Audit

Audit Observation	Comments of the Secretary	Recommendation
The documents required to verify the employee loan balance, which was valued at Rs.279,926, were not submitted to the audit.	This creditor balance has been overstated in the final account from 31.12.2013, and the sabha does not have the documents and files to find out the facts before that. As this balance in the final account was overstated, it could not be verified through schedules.	Creditor balances should be settled promptly in a formal manner.

1.7 Non-compliance

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

Reference to Laws, Rules, Regulations, Management Decisions etc.	Comments of the Secretary	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		

(i)	F.R. 571	Although lists of deposits should be prepared at the end of every half-year, the Sabha had not done so.	The list of deposits will be prepared semi-annually	Actions should be taken in terms of Financial Regulations.
(b)	Public Administration Circulars			
(i)	Circular No. 03/2015 dated 02 November 2015	The Register of Street Lights had not been kept up to date.	Actions will be taken to correct in the future.	Actions should be taken as per circulars.
(ii)	Letter No. 1/2002 dated 25 February 2002	Actions should be taken as per 3,4,6.3 and 6.5 of the circular	-do-	-do-
(c)	Local Government Circulars			
	Section 1.2 of Department of Local Government Circular No. 2010/02 dated 30 July 2010	Although a divisional transfer system should be implemented once in 02 years for officers who find it difficult to do so, it had not been so done.	This will be implemented from the year 2024 .	Actions should be taken as per the Circular.
(d)	Pradeshiya Sabha (Financial and Administrative) Rules			
	Rule 218	Although an annual survey of land and buildings was supposed to be done by a board appointed under the rule, it had not been so done.	The annual land survey was started in 2023, and out of the land and buildings, 51 have not been surveyed.	Actions should be taken as per the Rules.
(e)	Guideline 4.2.1 (b) of the Government Procurement Guidelines			Actions should be taken in terms of the Guideline

2. Financial Review

2.1 Financial Results

As per the financial statements presented, revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2023 was Rs. 9,379,462 and as correspondence revenue that exceeded the recurrent expenditure of the preceding year was Rs. 17,294,652.

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 follow

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)
	Rs.000.	Rs.000.	Rs.000.	Rs.000.	Rs.000.	Rs.000.	Rs.000.	Rs.000.
Rates and Taxes	751	721	543	383	749	749	749	122
Rents	742	742	690	48	700	700	104	596
License Fees	1000	486	486	-	1,000	1,000	643	357
Other Income	69	69	63	6	22	22	15	43
Total	2,562	2,018	1,782	437	2,471	2,471	1,511	1,118

2.2.2 Performance of Revenue Collection

Audit Observation

Comments of the Secretary

Recommendation

- (a) The total arrears of rates balance as at 31 December 2023 was Rs. 325,363. Within the rates balance as at the end of the year under review, there was an unrecognized difference of Rs.12,773 from previous years which was not recognized and, it
- Actions will be taken to recover arrears of rates balances in the future, to identify the owners of properties whose owner has not been identified and to settle the unrecognized difference in the future.
- Actions should be taken to recover arrears of rates balances in the future, to identify the owners of properties whose owner has not been

had not been recognized and settled during the year under review.

identified and to settle the unrecognized difference in the future.

- (b) Although the assessment of rates should be done once in 05 years, the Pradeshiya sabha had collected the rates based on the rates assessment of the year 2015.

Accept.

The assessment of rates should be done on time.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) The value of balances of 11 accounts receivable as at December 31 of the year under review was Rs.64,217,666 .	Actions will be taken to check the facts regarding arrears of balances and correct them in future.	The balance receivable to the Sabha should be recovered promptly.
(b) The balance payable as at 31 December of the year under review was Rs 13,694,207 and the receipts in advance was Rs 27,448 .	Actions will be taken to settle in the future.	Balances payable should be settled promptly in a formal manner.
(c) A difference of Rs. 279,926 in the employee loan balance as at 31 December of the year under review from an employee not engaged in the duties of the Sabha since 10 years ago had not been formally identified and settled.	Actions will be taken to identify unidentified balances in the future and to recover arrears of loan balances.	Balances receivable should be identified and recovered in a formal manner.

3.2 Assets Management

Audit Observation	Comments of the Secretary	Recommendation
(a) As the street Register of Street Light was not updated, all the street light poles owned by the Sabha had not been included in the data system.	This will be corrected in the future.	Register of Street Light should be maintained up to date.

(b) Forty three lands with value between Rs.25 - Rs.300 were accounted under land buildings and as the values of the lands had not been assessed at the new market value the accounts do not reflect the true value of assets.	As the Pradeshiya Sabha does not have sufficient funds for land valuation, the valuation will be done as soon as the allocation is made.	Land values should be assessed at new market values.
(c) The ownership of 04 lands owned by the Sabha had not been taken over and for that, a sum Rs. 4,187,431 had been spent during the year under review.	Actions are being taken to take over.	Ownership of these assets should be taken over.
(d) Out of 50 cemeteries maintained by the Sabha , 33 were not owned by the Sabha.	Actions are being taken to take over.	Ownership of these assets should be taken over.

3.3 Human Resource Management

Audit Observation	Comments of the Secretary	Recommendation
(a) The number of vacancies in the approved staff of the Sabha was 12 .	Agree with the observation.	Actions should be taken to maintain approved staff..
(b) The related investigations in respect of an employee who was suspended in November 2022 for committing an indiscipline had not been completed even by 31 December 2023 .	A letter has been submitted to the Commissioner of Local Government asking for advice on how to proceed.	Investigations should be completed promptly.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Secretary	Recommendation
(a) Although the Internal Audit Unit of the Sabha was established and an officer was appointed for its duties, due to the fact that only 02 audit reports were issued during the year under review, a proper and sufficient audit had not been conducted.	Internal audit activities will be carried out in a proper manner in the year 2024.	A proper and adequate audit should be done on the affairs of the Sabha.

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| <p>(b) Only 3 Management and Audit Committee Meetings had been held pertaining to the year 2023 .</p> | <p>-do-</p> | <p>-do-</p> |
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4.2 Budgetary Control

Audit Observation	Comments of the Secretary	Recommendation
<p>(a) There was a variation from 28 to 93 per cent between estimated and actual income in 05 revenue items.</p>	<p>Accept.</p>	<p>Revenue estimates should be prepared as rationally as possible.</p>
<p>(b) There was more than 20 per cent variation between estimated provision and actual expenditure in 07 expenditure items.</p>	<p>-do-</p>	<p>Expenditure estimates should be prepared as rationally as possible</p>