

Arachchikattuwa pradeshiya sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Arachchikattuwa pradeshiya sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023, Statement of Finance Operation, Statement of Net Assets Changes, Cash Flow Statement 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 and with the provisions of the National Audit Act No. 19 of 2018 read in conjunction with the sub section 172(1) of 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 Arachchikattuwa 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 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.

- 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 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

	Audit Observation	Comments of the Secretary	Recommendation
(a)	The computer worth Rs.100,000 received as donation in the year under review was not accounted for.	This will be corrected by journal entries.	Corrective action should be taken.
(b)	The fixed deposit interest income for the year 2023 had been under-accounted by Rs.2,570,044.	This will be corrected by journal entries	- do -
(c)	Rs. Fixed deposit interest amounting to Rs. 5,050,943, receivable as at 31 December 2023, had not been accounted for.	- do -	- do -
(d)	The value of Rs.423,652 spent for the purchase of 18 file racks had been double accounted for due to recording in the machinery and equipment account and the equipment in lumber account.	Those mistakes will be corrected.	- do -
(e)	Even though the value to be adjusted as deficiency in stamp duty to the stamp duty account is Rs.71,602,246,	The under-accounted stamp duty of Rs.36,595,987 will be adjusted correctly.	- do -

stamp duties amounting to Rs.36,595,987 had been under-accounted for at the end of the year under review by adjusting Rs.35,006,259.

- (i) 2023 Even though the value of stamp duty receivable as at 31 December 2023 was Rs.66,195,372, an amount of Rs.31,091,274 had been under accounted for. This will be properly accounted for. This will be properly accounted for.

1.7 Non Compliance

1.7.1 Non-compliance with laws, rules and regulations.

The cases where laws, rules, regulations and management decisions were not complied with are given below.

Reference to Laws, Rules and Regulations	Non-compliance	Comment of the Accounting Officer/Secretary	Recommendation
(a) Pradeshiya Sabhas Act, No. 15 of 1987			
(i) Sub-Section No.126 (XXVII)	By-laws had not been prepared for welfare facilities for fishermen.	Measures will be taken to prepare by-laws for the said section in due course.	Actions should be taken according to the Pradeshiya Sabhas Act.
(ii) Section 129(2)(b)(f)	No measures had been taken to collect lease rents, shop rentals, court fines and stamp duty due to the local council.	Letters have been forwarded to the lessees to duly collect lease rent and shop rentals receivable to the local council and regarding the properties that are difficult to collect, and approval has been sought to write off the	Actions should be taken according to the Pradeshiya Sabhas Act.

due court and stamp duty for year 2008 and 2009.

(b) **Pradeshiya Sabha
(Finance and
Administration)
Rules, 1988**

Rule No. 05

Adequate form of internal audit had not been conducted regarding financial and warehouse transactions.

This has been included in the internal audit plan for the year 2024.

Actions should be taken according to the rules in the Pradeshiya Sabhas Act.

(c) **Public
Administration
Circular**

No.

30/2016 section3.1

Even though 03 cases where the fuel test should be done are mentioned in terms of the section, this had not been done for 07 vehicles.

The mechanical engineer will be informed to do.

Actions should be taken according to the 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. 30,000,888 as compared with the excess of revenue over recurrent expenditure amounted to Rs.15,063,907 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 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 source	Estimated revenue	2023		Total arrears as at 31st December	Estimated revenue	2022		Total arrears as at 31st December
		Billed revenue	Collected revenue			Billed revenue	Collected revenue	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rates and Tax	7,752	8,080	4,297	14,081	7,652	7,455	3,112	17,533
Rent	7,003	9,834	9,363	2,014	7,330	6,288	5,929	1,700
License Fees	1,022	3,664	530	3,363	904	3,422	1,843	1,801
Other Revenue	1,043	13,990	5,995	-	1,596	4,654	4,654	-
	<u>16,820</u>	<u>35,568</u>	<u>20,185</u>	<u>19,458</u>	<u>17,482</u>	<u>21,819</u>	<u>15,538</u>	<u>21,034</u>

2.2.2 Performance in Revenue Collection

	Audit Observation	Comments of the Secretary	Recommendation
(a)	Arrears of rates amounting to Rs.12,852,083 arrears of acreages tax amounting to Rs.373,874, arrears of water tax of Rs.672,116 and arrears of rent of Rs.2,003,536 had not been recovered a at 31 December of the year under review.	Measures will be taken to collect the arrears.	Arrangements should be made to recover the arrears of income promptly.
(b)	Court fines amounting to Rs.7,834,766 and stamp duty amounting to Rs.35,104,098 had to be collected from the Chief Secretary of the Provincial Council as at 31 December 2023.	Arrears court fine as at 13.05.2024 was Rs.4,061,016 and no stamp duty has been received so far.	Arrears of court fines and stamp duty should be collected expeditiously.
(c)	The decision of the procurement committee to the sole applicant in the lease of Arachchikattuwa weekly fair had been approved by the chairman alone without other members. Even though the annual value of Rs.4,520,000 should be paid in 10 equal installments within the first 10 months of the year according to the	Measures will be taken to ensure that the deficiencies do not continue an amount of Rs.1,195,000/- had been paid and after 26.06.2023 up to the date 06.11.2023 and an amount of Rs.37,000/- had been recovered from the fines to be paid and an amount of	All members should sign the procurement committee report and the remaining monthly rent should be duly collected.

lease agreement, it had not been done so. Similarly, the electricity bill of Rs. 107,201 to be paid by the lessee for the first 06 months of the year 2023 had been paid by the council. Rs.38,000 had been recovered for the electricity bills to be paid.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) i. 40 industries that should obtain environmental permits have not obtained environmental permits since 2015, and the council had lost an income of Rs.280,781 due to this and responsibilities of the council had neglected itself.	Measures will be taken in due course.	Industrialists should be directed to obtain environmental permits.
ii. Instructions had been given by the letter No. ၁/ဗဒ/ဗ/ဇ/၆/၃.၃.၅/၉၅ dated 25 March 1995 of the North Western Commissioner of Local Government and the Environmental Secretary for the reorganization of environmental protection units of all local government bodies and their implementation. Further instructions had been given on 26 February 1996 for the Chapter 3.2.3 therein. No measures had been taken in terms of its' paragraphs I, II, III, IV.	Necessary activities related to that will be done in due course.	Measures should be taken according to the instructions of the Commissioner of Local Government.
(b) Even though an amount of Rs. 97,500 had been spent on 4 September 2023 to purchase 15 name boards for the land owned by the council, the name boards had not been used.	Arrangements have been made to carry out this action expeditiously.	Arrangements should be made to display name boards in the lands.
(c) No measures have been taken to register 20 community based organizations in terms of the Charter for the Establishment and	Measures will be taken to register and monitor community-based	Registration and monitoring in the

- Regularization of community based organizations (Water Supply and Environmental Sanitation) No. 01 of 2013, and various irregularities and issues of community-based organizations had not been monitored. organizations under the sanitary unit council. should be done.
- (d) The number of readers visiting the libraries is very low although an expenditure of Rs. 5,992,266 had been incurred for 04 libraries in the year 2023, and no measures had not been taken to make children, young and old readers interested in reading and to make more readers members. Development of reader skills and community care programs will be conducted in order to increase the number of readers in due course. Programs should be implemented to develop readers.
- (e) The value of the account balances due to the council as at 31 December 2023 was Rs.58,840,474. Programs are implemented to collect deficit revenue. Arrears should be recovered promptly.
- (f) The value of the accounts balances payable as at 31 December 2023 was Rs.5,617,551. Payments of Rs. 3,205,770 had been done so far from miscellaneous creditors' amount, and the industries done by creditor had been unable to perform accordingly since the development work had been stopped in terms of the circular 03/2022. Measures should be taken to settle the creditors promptly.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) Even though revision of rates and taxes should be done every 5 years, rates and taxes had been levied in the year 2023 too based on the assessment made in the year 2015.	The rates and taxes will be collected as soon as the assessment report is received.	Immediate action should be taken to obtain the assessment report.

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| (b) | 14 leasable properties remained idle in the year 2023 as they could not be leased. | Even though these properties had been procured on 04 occasions in relation to the year 2023, no applications had been submitted. | Arrangements should be made to get maximum benefit from the properties of the council. |
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3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Secretary	Recommendation
(a) The Manaveriya Gymnasium, which had been built in 2017 at a cost of Rs.6,920,809 under the Deyata Kirula programme, was idle even by the year 2023.	Measures will be taken in due course.	The physical resources built at the expense of government funds should be utilized to the maximum.
(b) The bodybuilding center constructed at a cost of Rs. 996,775 under decentralized provisions of Rs. 702,350 and under council funds of Rs. 294,425 remained idle without any benefit.	As the income received to the council from the bodybuilding center is low and necessary arrangements have already been made to make payment of 50% of the received amount to the consultant officer in charge of bodybuilding centers for payment of the amount due to him for the year 2023.	Measures should be taken to utilize in other productive work.

3.4 Assets Management

Audit Observation	Comments of the Secretary	Recommendation
(a) 21 lands assigned to the council had not been fenced and security had not been ensured and no measures had been taken to make income by leasing the yield.	Measures will be taken to survey the plots of lands and fence and fix name plates and measures will be taken to lease yield and earn revenue.	Measures should be taken to ensure the security of the lands while making use of the assets.
(b) There were 48 unclaimed properties in the council area, and also had cemeteries, playgrounds, libraries,	Requests to take over the assets have already been made.	Urgent action should be taken to take over

community halls, water pumping stations and a public market.

the legal rights of the respective properties.

- (c) Even though measures should be taken obtain the legal title to the land of Manaveriya Gimanhala through the Divisional Secretary, no measures had been taken.

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3.5 Deficiencies in Contract Administration

Audit Observation	Comments of the Secretary	Recommendation
The local council jurisdiction was 104 square kilometers according to the budget of the year 2022, and the road length is 492 km. Out of it 20 km is paved roads, 190.5 km is gravel roads, and other 281.5 km is also. Accordingly, only 04 percent of the total road system in Arachchikattuwa council area was tarred roads.	The local council does not have enough revenue to develop the roads by tarring.	Measures should be taken to use government funds efficiently and effectively.

3.6 Human Resource Management

Audit Observation	Comments of the Secretary	Recommendation
(a) According to the approved actual cadre as at 31 December of the year under review, there were 12 vacancies in secondary grade posts, 02 redundancies and 13 vacancies in primary grade posts.	The services of persons working on substitute and contract basis has to be obtained until the approved employees are assigned to	The required cadre of the council should be identified correctly and measures should be taken to get approval the said cadre.
(b) A balance of Rs.122,500 should have been collected from 02 employees who left the service in previous years.	Rs.2,250.00 had been recovered and legal steps have been taken to recover Rs.120,250.	Measures should be taken to recover the outstanding balance of employee loans.

3.7 Vehicle Fleet Management

Audit Observation	Comments of the Secretary	Recommendation
Even though it had been decided in the general meeting held on 06 October 2022 to dispose of 02 trailers and a tractor belonging to the council, no measures had been taken to dispose the said vehicles.	The mechanical engineers have been informed.	The rest of the vehicles should be disposed of immediately.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Secretary	Recommendation
(a) Even though an amount of Rs. 255,024 had been spent to accomplish 08 different tasks mentioned in the action plan, the desired output had not been achieved.	Measures will be taken to carry out the work effectively with the money allocated by the budget estimates in the coming year.	Measures should be taken to achieve the desired output.
(b) Even though a provision of Rs.2,681,000 had been made for 30 tasks during the year under review,22 tasks worth Rs. 1,209,000 had been abandoned by 31 December 3 of the same year without achieving the expected results.	The estimates will be prepared in due course and further work will be done.	Measures should be taken to implement the relevant programs according to the action plan and achieve the output.

4.2 Sustainable Development Goals

Audit Observation	Comments of the Secretary	Recommendation
14 targets for 10 Sustainable Development Goals had been identified by the Council for the year under review to achieve the objectives and targets to be achieved in terms of the Sustainable Development Agenda 2030. 42 programs had been implemented to achieve those objectives and goals and failure to reach the progress of 20 programs out of those programs had been ranged from 52 percent to 100 percent.	Even though the programs had been implemented, their progress has not been reached, and progress is expected to be achieved in the coming year.	Efforts should be made to reach sustainable development goals and targets.