

Kalpitiya Pradeshiya Sabha – 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kalpitiya 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 net assets and 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 subsection 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 reported 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 Kalipinya Pradeshiya Sabha as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on 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 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 the Generally Accepted Accounting Principles and for such internal control as management determines 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 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 to be prepared of the Sabha.

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the 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 exercise professional judgement and maintain professional skepticism throughout the audit. I also

- Appropriate audit procedure were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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
- An understanding of internal control relevant to the audit was obtained 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 the Pradeshiya Sabha's 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 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 discussions issued by the governing body of the pradeshiya sabha

- Whether the pradeshiya Sabha 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 the other legal requirements

The special provisions had been inserted in the National Audit Act No.19 of 2018 in relation to the under-mentioned requirements.

- The financial statements of the pradeshiya sabha are consistent with the preceding year as per the requirement of the section 6(1)(d)(iii) of the National Audit act No. 19 of 2018 .
- The recommendations made by me in the preceding year as per the requirement indicated in the section 6(1)(d)(iv) of the National Audit act No. 19 of 2018 had been included in the financial statements forwarded.

1.6 Audit Observations on preparation of the financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of Secretary	Recommendation
The value of Rs. 4,602,544 of the toilet system of Norochchola economic center as at 31 December of the year under review had not been accounted.	The action will be taken to rectify through the journal notes.	The action should be taken to rectify through the journal notes.

1.6.2 Unreconciled Control Accounts or Reports

Audit Observation	Comments of Secretary	Recommendation
As at 31 December of the year under review, the deposit balance was Rs.38,479,730 as per the financial statements and since it was Rs. 38,357,418 as per the schedules, there was difference of Rs.122,312.	In the future, the action will be taken to rectify it.	The action should be taken to rectify having examined the reasons for difference.

1.7 Non-compliances

1.7.1 Non-compliance with laws, rules, regulations and management decisions

The incidents in which it had not been complied with laws, rules, regulations and management decisions are as follows.

	Reference to laws, rules, regulations	Non-compliance	Comment of the Secretary	Recommendation
(a)	Financial Regulations of Democratic Socialist Republic of Sri Lanka			
	(i) Financial Regulations 371(b)	Advance amount of Rs.229, 658 at 19 occasions had not been settled once the relevant task had been completed.	The action will be taken to remove from the accounts.	The action should be taken as per Financial Regulations.
	(ii) Financial Regulations 571(2)	The action had not been taken as per F.R. in relation to 15 deposits of Rs. 1,098,733 exceeding 02 years.	The action will be taken to include the deposits into income.	The action should be taken as per Financial Regulations.
(b)	Pradeshiya sabha Act No.15 of 1987 Sections 129(2) (b) and (f)	No action had been taken to charge lease rental, shop rents, court fines and stamp duty in formal manner.	The letters had been sent to pay the outstanding lease rental and shop rents and it had been requested from the Governor to take the court fines from August to December.	The action should be taken as per the Act.
(c)	Pradeshiya Sabha (Financial and Administration) Rules 1988			
	(i) No.33 Rule	A list of defaulters of Assessment Tax and warrants for property prohibition had not	The instructions had been given to the officers to take legal action for recovery of outstanding.	The action should be taken as per laws.

been prepared at each quarter.

- (ii) No.65 Rule A register of the persons who had defaulted the tax at the end of the stipulated period of time had not been prepared. The instructions had been given to prepare a register. The action should be taken as per laws.

2. Financial Review

2.1 Financial Results

As per the financial statements submitted, the income exceeding the recurrent expenditure was Rs. 40,011,831 for the year ended 31 December 2023 and correspondingly, the income exceeding the recurrent expenditure was Rs. 47,993,968 in the preceding year.

2.2 Income Administration

2.2.1 Estimated Income, Billed Income, Collected Income and Outstanding Income

The information on estimated income, billed income, collected income and outstanding income submitted by sabha in relation to the year under review and the preceding year is as follows.

Income Source	Estimate d Income	2023			Estimated Income	2022		
		Billed Income	Collected Income	Total Outstandi ng as at 31 December		Billed Income	Collected Income	Total outstanding as at 31 December
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assessme nt Tax and Other Tax	5,265	4,545	2,483	14,593	5,383	5,161	3,310	16,668
Rents	18,217	16,480	12,930	11,012	15,819	15,532	15,536	9,034
License Fees	3,711	2,638	2,638	-	3,745	2,588	2,588	35
Other Income	<u>8,225</u>	<u>4,336</u>	<u>4,336</u>	=	<u>6,010</u>	<u>5,648</u>	<u>5,648</u>	=
Total	<u>35,418</u>	<u>27,999</u>	<u>22,387</u>	<u>25,605</u>	<u>30,957</u>	<u>28,929</u>	<u>27,082</u>	<u>25,737</u>

2.2.2 Income Collection Performance

Audit Observation	Comments of Secretary	Recommendation
(a) As at 31 December of year under review, no action had been taken to charge outstanding Assessment Tax of 13,090,328, Acre Tax of Rs.1, 067,835, water tariff of Rs. 338,057 and rent of Rs.3, 780,691.	The action will be taken to recover the outstanding amount.	The action should be expeditiously taken to charge the outstanding income.
(b) On December 2023, the stamp duty of Rs.51,913,770 and the court fines of Rs.4,999,850 had to be charged from the Chief Secretary and other officers of provincial council.	The request letter had been sent to Governor for recovery of the court fines and the stamp duty schedules had been prepared and submitted to provincial Revenue Office.	The action should be taken to collect outstanding income immediately.

3. Financial Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) 18 industry owners had not obtained the environment license in the year under review and due to that reason; an income of Rs.57, 500 had lost.	The letters had been sent to the industry owners.	The action should be taken to recover the outstanding income.
(b) An agreement had been entered into for repair of the cab belonging to sabha at a cost of Rs. 1,650,000 without a recommendation of a mechanical engineer.	Since the estimate had been approved by annual general meeting, the contracted cab had been repaired.	The recommendation of a mechanical engineer should be obtained.
(c) After identifying the developed areas belonging to sabha limit, the sabha officers had not taken action to improve the income by charging fees having carried out a new Assessment Tax valuation.	The action will be taken to improve income.	Having carried out a n Assessment Tax valuation, the income should be charged.
(d) As at 31 December of the year under review, accounts balance receivable was Rs. 13,270,926 and a balance of	The action will be taken to recover in the future.	The action should be taken to immediately recover the money receivables.

Rs.10,180,886 between 03 to 05 years had existed in it.

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| (e) | As at 31 December of the year under review, the account balance payable was Rs. 26,827,596 and a balance of Rs. 6,768,355 more than 05 years had existed in it. | The action will be taken to pay in the future. | The action should be taken to promptly settle the money payables. |
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3.2 Operating Inefficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) The period of agreement of 59 shops had expired and no action had been taken to update.	The action will be taken to renew the agreements.	The action should be taken to expeditiously sign the agreements.
(b) A person had been given to collect the income from vehicle parking for 2023 for tender amount of Rs.777,689 without signing the agreement.	The tender money had been paid at one time.	The action should be taken to enter into agreement.

3.3 Assets Management

Audit Observation	Comments of the Secretary	Recommendation
(a) 244 flag poles out of 464 belonging to sabha had been misplaced.	The action will be taken to recover the value.	The action should be taken to recover from the responsible persons.
(b) 69 assets including shopping complex, weekly fair, public playground, children park, preschools, libraries, cemeteries, bus-stand, public toilet and community halls which are enjoyed by sabha had not been taken over.	In the future, it will be immediately taken over.	The action should be immediately taken to acquire the relevant property.

3.4 Deficiencies in the Contract Administration

Audit Observation	Comments of the Secretary	Recommendation
The cubes had been submitted from 07 days for cube test for testing the concrete strength of the work carried out from an estimate value of Rs.995, 023 under provincial specified development grant 2023 for the work of concreting of house road of Mr.Cadre, Wannimundalama. Through that, no accurate report had been received and the contractors had not been encouraged to obtain the cube test.	No answers had been given.	The payments should be made after obtaining accurate report at accurate time.

3.5 Human Resources Management

Audit Observation	Comments of the Secretary	Recommendation
As at 31 December 2023, 16 posts in secondary level and 12 posts in primary level had been vacant.	The action will be taken in the future to fill the existing vacancies.	Having accurately identified the cadre required for sabha, it should be approved.

3.6 Vehicle System Management

Audit Observation	Comments of the Secretary	Recommendation
No action had been taken to acquire the ownership of 08 vehicles used by sabha to sabha.	The applications related to taking over had been submitted to motor vehicles registration commissioner's office.	The action should be taken to take over the ownership of the vehicles.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Secretary	Recommendation
Improvement of the operating process of the institute is a supportive process for enhancement of its performance but the internal audit of sabha had only paid attention to income, employee loans and checking of leave and building applications.	The internal audit should be properly carried out.	By covering the important fields, the audit plans should be planned and carried out.

4.2 Budgetary Control

Audit observation	Comments of the Secretary	Recommendation
(a) Within the year under review, the total provision of Rs. 5,182,100 made related to 09 objects by budget estimates had not been utilized for fulfillment of relevant budgeted activities.	A difficulty had existed to implement the programs and functions within the stipulated period of time.	The operating activities should be carried out enabling to fulfill the budgeted targets.
(b) Moreover, a provision of Rs. 8,135,800 had been made for 12 objects related to year under review and a less than 50 percent from that provision had been incurred.	A difficulty had existed to implement the programs and functions within the stipulated period of time.	The operating activities should be carried out enabling to fulfill the budgeted targets.

4.3 Sustainable Development Goals

Audit Observation	Comments of the Secretary	Recommendation
In order to achieve the goals and targets to be achieved as per sustainable development agenda 2030, the targets had been identified for 69 sustainable development goals by sabha and only 10 goals had been fulfilled.	The targeted programs couldn't be implemented due to shortage of staff.	The action should be taken to achieve the goals and targets.