

Nawagathegama Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Nawagathegama 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 Sbha 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 Nawagathegama 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 Pradeshiy 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 the Secretary	Recommendation
(a) Even though the all assets should be accounted to the value after revaluing the all assets in same class in accounting to the revaluation value of the assets, only new shopping complex building has been revalued at Rs.8,450,000 and accounted such value.	In due course, the action will be taken to account.	The action should be taken to rectify the asset revaluation.
(b) Even though the property, plant and equipment account balance and revenue contribution account for capital inputs balance should be similar, there was a difference of Rs.7,525,121 as at 31 December 2023.	In the future, the action will be taken to rectify.	The action should be taken to rectify through journal notes.

1.7 Non-compliance

1.7.1 Non-compliance with the 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	Comments of the Secretary	Recommendation
(a) Financial Regulations of Democratic Socialist Republic of Sri Lanka F.R.103(1)(a),(b),(e) (f) and 104(4)	A cab had met with an accident on 20 August 2021 belonging to sabha , no action had been taken as per Financial Regulations in this regard.	The action will be taken as per financial regulations.	The action should be taken as per Financial Regulations.
(b) Community Based (Water Supply, Environment and Sanitation) Establishment and Regularization Convention No.01 of 2013	The action had not been taken by sabha to register 14 community based organizations established in area in North western water supply and environment sanitation unit.	The necessary action is being taken to monitor the community based organizations.	The action should be taken as per convention.

2. Financial Review

2.1 Financial Results

In accordance with the financial statements submitted, the income exceeding the recurrent expenditure of the pradeshiya sabha for the year ended 31 December 2023 was Rs.2, 911,507 and correspondingly, the income exceeding the recurrent expenditure was Rs.1, 267,997 in the preceding year.

2.2 Income Administration

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

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

Income Source	2023				2022			
	Estimated Income	Billed Income	Collected Income	Total outstanding as at 31 December	Estimated Income	Billed Income	Collected Income	Total outstanding as at 31 December
	₹.'000	₹.'000	₹.'000	₹.'000	₹.'000	₹.'000	₹.'000	₹.'000
Assessment	1,309	1,347	1,129	144	1,284	1,255	1,129	164
Tax and Other Tax								
Rents	8,361	3,151	2,984	209	6,192	2,845	2,813	73
License fees	193	233	233	-	194	159	159	-
Other Income	<u>2,640</u>	<u>1,919</u>	<u>1,700</u>	<u>229</u>	<u>876</u>	<u>686</u>	<u>666</u>	<u>31</u>
Total	<u>12,503</u>	<u>6,650</u>	<u>6,046</u>	<u>582</u>	<u>8,546</u>	<u>4,945</u>	<u>4,767</u>	<u>268</u>

2.2.2 Income Collection Performance

Audit Observation	Comments of Secretary	Recommendation
At the end of year under review, the court fines of Rs. 1,333,666 and Stamp Duty of Rs. 567,020 had to be received from the Chief Secretary and other officers of provincial council.	The action will be taken to recover the outstanding money.	The action should be immediately taken to recover the outstanding.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) As at 31 December of year under review, the accounts receivable was Rs. 9,689,631 and a balance of Rs.1,047,632 exceeding 03 years was in that amount.	The action will be taken to recover the outstanding.	The action should be taken to expeditiously recover outstanding income.
(b) As at 31 December of the year under review, the accounts payable was Rs. 9,745,842 and a balance of Rs. 1,921,505 exceeding 03 years was in that account.	The action will be taken to settle the outstanding.	The action should be taken to settle the creditors balance immediately.

3.2 Assets Management

Audit Observation	Comments of the Secretary	Recommendation
(a) The action had not been taken to acquire the legal ownership of the lands in which the buildings belonging to sabha are located and 14 cemeteries which are possessed, controlled and maintained by sabha to sabha.	The necessary action will be taken to immediately take over such lands.	The action should be expeditiously taken to take over the legal ownership of relevant properties.
(b) The measures had not been taken to take over the cab provided by Chief Secretary's Office in 1992 and used by the sabha and the water bowser worth of Rs.14, 000,000 provided by Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government in 2022 and the water bowser had not been utilized also.	The action will be taken to take over in the future.	The action should be promptly taken to take over the legal ownership of the relevant vehicles.
(c) 02 assets with aggregate value of Rs. 95,000 had not been used since long time and been idle.	The action will be taken on this matter in due course.	The assets should be effectively utilized.
(d) Nawagathagama bus stand building had been erected by incurring Rs. 12,977,976 under Puraneguma project in 2017 and its upper floor had not been used since 06 years and been idle.	The action will be taken to call tenders again.	The maximum benefit should be obtained from the physical resources constructed by utilizing the government funds.
(e) Under Pradeshiya Sabha Strengthening Program, the mobile fish stall had been built at a cost of Rs.175, 000 in 2020 had not been leased out since 2022 and been idle.	It had been lease out in 2024.	The maximum benefit should be obtained from the physical resources constructed by utilizing the government funds.
(f) Under provincial specified development grants in 2019, an amount of Rs.942, 053 had been incurred for the development of the playground belonging to Gederawewa Swashakthi Sports Club and it had been seen that the playground was covered with wilderness at the physical inspection.	The necessary action had been taken to conduct the sports competitions.	The maximum benefit should be obtained from the physical resources constructed by utilizing the government funds.

(g)	Even though Rs. 31,336 had been paid to build a volleyball court under 05 th work subject as per the final payment report for construction of Gederawewa Volleyball Ground, such volleyball court had not been seen at the physical inspection.	The fault occurred had been rectified by sports society.	The maximum benefit should be obtained from the physical resources constructed by utilizing the government funds.
(h)	Since Kelewewa playground constructed at a cost of Rs.1,470,000 under rural playground development 2021 had not been used, it had been seen that the playground was covered with wilderness.	Up to now, the relevant playground had been cleaned and used in line with previous sports meet.	The maximum benefit should be obtained from the physical resources constructed by utilizing the government funds.
(i)	Even though an amount of Rs.17,535,238 had been incurred for the construction of the waste yard, it had not been used due to wild elephant threats and become idle.	It is expected to commence the manufacturing of compost.	The maximum benefit should be obtained from the physical resources constructed by utilizing the government funds.
(j)	The water bowser obtained for the waste yard had been idle in the premises with multipurpose building and huller machine had been idle in the sabha premises.	Do	Do
(k)	The jogging path constructed in front of Thammannavetiya temple at a cost of Rs.1,006,831 under Dialogue with Village program in 2022 had not been used by the residents and covered with wilderness.	A program will be prepared for immediately usage of the jogging path by the residents.	The maximum benefit should be obtained from the physical resources constructed by utilizing the government funds.

3.3 Human Resources Management

Audit Observation	Comments of the Secretary	Recommendation
At the inspection of actual and approved cadre of sabha as at 31 December 2023 the action had not been taken to fill the post of Secretary which is a tertiary post and there were 09 vacancies and 17 excesses related to the primary and secondary posts at the end of year under review.	The Department of Local Government had been made aware on excesses and vacancies.	The action should be taken to accurately identify the required cadre to sabha and approve it.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Secretary	Recommendation
Even though an amount of Rs. 180,643 had been incurred for completion of various 09 activities indicated in the action plan, no expected input level had been achieved.	The action will be taken to implement these programs as per action plan 2024.	The action should be taken to fulfil the objectives of the action plan.

4.2 Internal Audit

Audit Observation	Comments of the Secretary	Recommendation
An internal audit had not been carried out from January to June and the internal audit of sabha had paid attention to the attendance, leave, income collection, monthly running charts and checking of bank accounts only from July to September.	The action will be taken in accordance with section 40 of National Audit Act No.19 of 2018 and F.R. 133(1).	An adequate internal audit should be carried out covering the all activities of the sabha.

4.3 Budgetary Control

Audit Observation	Comments of the Secretary	Recommendation
(a) In accordance with the budget prepared, the provision of Rs.1, 641,680 allocated for 23 objects had totally remained.	The necessary action will be taken to carry out the relevant programs for the objects having prepared the estimates in realistic and accurate manner in the future.Do	The operating activities should be planned enabling to fulfill the budgeted targets.
(b) A range from 50 percent to 99 percent had remained from the provision of Rs. 4,072,250 allocated for 20 objects in the year under review owing to non-preparation of the estimates in realistic and accurate manner.		The operating activities should be planned enabling to fulfill the budgeted targets.

4.4 Sustainable Development Goals

Audit Observation	Comments of the Secretary	Recommendation
Non-achievement of progress of 09 identified activities for the fulfillment of the sustainable goals such as ensuring a healthy life and co-existence, building the infrastructure, sustainable energy usage, equality in education and prevention of absolute poverty was in the range from 2.6 percent to 84 percent.	The action will be taken to fulfill the sustainable development goals as per action plan 2024.	Having properly identified the goals and targets, the action should be taken to implement.