

## **Ja-ela Pradeshiya Sabha - 2021**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Ja-ela Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising the statement of assets and liabilities as at 31 December 2021, comprehensive income statement, statement of changes in net assets/ equity, cash flow statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 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 Ja-ela Pradeshiya Sabha as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

#### **1.2. Basis for Qualified Opinion**

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I express qualified opinion 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**

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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)

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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

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National Audit Act, No. 19 of 2018 include 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 following recommendations which I made on financial statements for the preceding year had not been implemented as per the requirement of Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

## 1.6 Audit Observations on the Preparation of Financial Statements

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### 1.6.1 Accounting Policies

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#### Audit Observation

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#### Comment of the Sabha

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#### Recommendation

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Even though it had been stated that the assets would be depreciated under the straight line method according to the Accounting Policy No.3.5, an account had not been maintained for the provisions for the depreciation and the depreciation had been adjusted within the asset account and therefore the assets had been declared not on the cost value but on the net value.

Inform that the actions would be taken to make it correct when making the final accounts for the year 2022.

Actions should be taken in accordance with the Policies declared.

### 1.6.2 Accounting Deficiencies

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#### Audit Observation

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#### Comment of the Sabha

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#### Recommendation

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(a) The Vehicle Rent payable had been understated by Rs.952,006.

Inform that it had been corrected when making the final accounts for the year 2022 by the Journal Entry No.01.

The Accounts should be accurately made.

(b) The receivable and received capital donations had been understated by Rs.106,758,461 for the year under review.

Action would be taken to make it correct by the final accounts for the year 2022.

The accounts should be accurately made.

(c)	The Capital Donations received for the preceding year had been overstated by Rs.4,452,469 for the year under review.	Action would be taken to make it correct by the final accounts for the year 2022.	The accounts should be accurately made.
(d)	The State allocation transfers for the recurrent expenditure for the year under review had been stated under the Note no.05 of Rs.4,56,539 but it had not been stated in the Statement of Profit or Loss therefore the revenue had been understated by that amount.	Action would be taken to make it correct by the final accounts for the year 2022.	The accounts should be accurately made.
(e)	Creditors and Debtors had been overstated by Rs.184,877 when implementing the decentralized budget method.	Action would be taken to make it correct by the final accounts for the year 2022.	The accounts should be accurately made.
(f)	An Ayurveda medicine stock received of Rs.248,000 as donations had been stated as Capital Grant.	Action would be taken to make it correct by the final accounts for the year 2022.	The accounts should be accurately made.
(g)	Allocations for the creditors and debtors had been made for 07 Project of Rs.6,800,000 before making any agreement therefore, those accounts had been overstated by that amount.	Inform that it had been aware that the allocations would not be received at the end of the time period.	The accounts should be accurately made.

### 1.6.3 Unreconciled Control Accounts

#### Audit Observation

There was a difference of Rs.98,891,470 relevant for 06 item of accounts, as at 31 December 2021 between the balances as per the financial statements and the balances as per the corresponding reports.

#### Comment of the Sabha

Actions would be taken to make it correct in the future.

#### Recommendation

Actions should be taken to reconcile the balances and make them correct.

**1.6.4 Accounts Receivable and Payable**  
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<b>Audit Observation</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----
(a) Actions had not been taken to settle 03 balances of Rs.10,779,769 over 10 years and 03 balances of Rs.109,471,624 over 05 years of receivable.	Inform that the report received by the Account Advisor had been sent for the Commissioner of Provincial Council.	Actions should be taken to recover.
(b) Actions had not been taken to settle 21 payable balances of Rs5,149,327 over 05 years	Inform that actions would be taken to make it correct.	Actions should be taken to settle

**1.6.5 Suspense Account**  
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<b>Audit Observation</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----
The Rs.236,425 balance of the suspense account descending from the year 1992 had been recommended by the Accounting Advisor to set off by the Accumulated Fund Account and presented to the Commissioner of Local Government to obtain the approval.	Inform that the report from the Accounting advisor had been presented to the Commissioner of Local Government.	Actions should be taken to settle.

**1.6.6 Lack of Documentary Evidence for Audit**  
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<b>Audit Observation</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----

Unrecognized Miscellaneous Deposits balance of Rs.135,746,660, A balance of Rs.53,678,225 regarding 6 categories of deposits, 04 items of current assets valued of Rs.221,848,091 and 02 items of current liabilities of Rs.106,451,654 could not be satisfactorily vouched due to non- rendition of registers, supplementary documents and detailed time analysis.

Inform that actions would be taken to prepare the documents as soon as possible and actions would be taken to make the balances correct in the future.

The details should be rendered to prove the balances in the accounts.

## 1.7 Non-Compliances

### 1.7.1 Non Compliances with the Rules, Regulations and Management Decisions

Ref. to the rules ,regulations and management decisions	Non- Compliance	Comment of the Sabha	Recommendation
The Financial Regulations of the Democratic Socialist Republic of Sri Lanka Rule No. 762	An emergency purchase 40 Barrels of Tar valued Rs.828,576 because of not maintaining the stock levels properly even though maintaining the stock levels and deciding the re-order level is a responsibility of the Store Keeper.	Inform that actions would be taken to appoint a Committee to decide the maximum and minimum levels of all the material in the Store and inform it to the store keeper.	Actions should be taken according to the referred regulations.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented surplus of the Sabha amounted to Rs.40,748,205 for the year ended on 31 December 2021 as compared with the corresponding surplus for the preceding year amounting to Rs.70,783,624.

## 2.2 Revenue Administration

### 2.2.1 Performance in Collecting Revenue

Audit Observation	Comment of the Management	Recommendation
(a) Even though the opening balance for the year under review of the arrears rent incurred stall rent and lease rent respectively Rs.7,191,817 and Rs.9,196,226 it had been recovered respectively Rs.2,156,751 and Rs.100,918 out of it within the year under review therefore, the collection of revenue in arrears had been in a weak situation.	The tenderers who hold the meat stalls and the weekly fair had requested relieves because of the Covid Pandemic Situation. Inform that even though after releasing the travel bans the stall rents had been recovered maximally.	Actions should be taken to recover the arrears in revenues.
(b) Business in 08 Stalls in Public Shopping Complex at Ragama had been carried out persons other that who made the lease agreements from a long time but action had not been taken by the Sabha to assign the property according to the circular No.LGD/13/2016(I) dated 03 December 2020 by the Commissioner of Provincial Council – Western Province to those who holds the possession of the business on a fee equal to sixty times the valued monthly rent	A Committee had been appointed to make a new draft lease agreement according to the circular and that committee should make a daft and present it to the Board Meeting. Therefore inform that the future actions would be taken accordingly.	Actions should be taken to recover the arrears and actions should be taken according to the circular to assign the property.
(c) According to the section 03 of the lease agreement for leasing out the Weekly Fair at Ragama for the year 2021 an acceptable property security or a bank draft should be kept equal to the 09 lease rent of Rs.845,370 and a property equal to this value had been agreed assign to the Sabha by a Power of Attorney. But this Power of Attorney had not been registered as at 06 January 2022 and no any action had been taken to acquire this property to the Sabha. The lease rent in arrears of this lessee for the year 2021 of Rs.318,058 had being payable as at 06 January 2022.	Reliefs had been requested because of the Covid Pandemic Situation and kindly inform that actions had not been taken to register and assign the property security.	Actions should be taken according to the agreement.

## 3. Operating Review

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act, being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

### 3.1 Management Inefficiencies

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Audit Observation	Comment of the Management	Recommendation
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A balance between the parameters of Rs.146 million to Rs.190 million had been maintained every month in the current account of the Pradeshiya Sabha in Bank of Ceylon Kandana Branch but Sabha had not considered in investing those money.	Inform that the balance had been kept to cover not accomplishing the expected revenue aims and cash is required for the emergency disaster situations.	Actions should be taken to invest the excess money.

### 3.2 Operational Inefficiencies

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Audit Observation	Comment of the Sabha	Recommendation
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(a) A Fraudulently amended survey plan had been presented with the plan presented by the Sabha accepted for an open land of 02 Roods and 31.62 perches named as lot no.13 assigned by a land auction sale at Ja-ela, Kanuwana, Araliya Garden, when investigating this matter it had been found out that a new lot no.19 had been assigned near lot no.18 built a two stories house in it and tar had been laid on to the road in front of it. Therefore it had been observed that the land where lot no.13 was located had been in a situation under unauthorized reside and actions had not been taken by the Sabah to evacuate those unauthorized resedents.	The Transfer Deed is required to take the legal actions therefore actions are being taken to acquire the deed. Inform that the action would be taken as soon as possible to take legal actions after receiving the Transfer Deed.	Actions should be taken to acquire the Sabha Property and have settled possessions.
(b) A land of 05 Acres had been separated in Dambuwa Housing Scheme located at Dambuwa area for the Public Occupation but action had not been taken to acquire this Land for the Sabha as at the Audit Date on 07 January 2022. It had been reported that Unauthorized Constructions had been built in this land and only a land about 02 Acres out of the 05 Acres Land had been left so far and it had been occurred because of not properly acquiring the land to the Sabha.	Inform that the Housing Authority Gampaha District Office had informed that the Order of transfer would be issued as soon as the plan had been received.	Actions should be taken to acquire to the Sabha as soon as possible.



### 3.3 Assets Management

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) 08 Land had been declared as could not be recognized by the Board of Survey even though at least one of the Plan or the Deed of the each land could be found within the Sabha.	The property are being in a status that could not be commonly recognized. Regulatory actions would be taken to write-off by the present register.	Actions should be taken to settle the property owned by the Sabha.
(b) Unauthorized houses had been built within 06 lands owned by the Sabha and it had been observed that most of these lands with unauthorized constructions had been the part of Public Occupation in Auctioned Lands. It was observed that these unauthorized constructions had been done because of not taking the necessary actions to protect the possession of those lands therefore the welfare and the protection of the people resident in those auctioned land had been adversely effected.	The Committee had decided to take the advice from the Governor about how to manage these therefore actions would be taken accordingly.	The unauthorized constructions should be evacuated and clear possession should be obtained.
(b) A road crusher machine of 08 tons of prevailing market value of Rs.1,200,000 had been laid idle since 21 May 2019.	Inform that actions would be taken to dispose or other process according to the agreement of the Sabha.	It should be properly consumed.

### 3.4 Unfinished Projects

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
Provisions for Creditors and Debtors had been made for 103 Rural Roads Development Projects that had been approved allocations of Rs.87,000,000. These Projects had been stated that they would not be continued for the next year but any of these Projects had not been finished therefore they have been in risk of not receiving funds.	Inform even though they stated it would not be continued the half-finished or unfinished projects had been continued in many instances therefore it had been decided to make provisions for creditors.	The projects that would not be continued should be completed within the year under review.

### 3.5 Procurement

#### 3.5.1 Goods and Services

##### Audit Observation

Rs.17,775,208 had been spent on the procurement of Goods and Services like Make Partitions in the “Puraneguma Building”, Updating the Electricity an internet facilities, Making an Intercom System and Supply Office Equipment. Presentation of bids from specialized intuitions to supply one item of good or service would have been limited because of a condition stated in the bid notice that the institutions that would be able to provide all the 05 items would be given priority in the evaluation and it had been violated the section 1.2 of the State Procurement Guidelines. Therefore only one institution had been presented for the bids to whole supply and therefore only the bid of this institution had been evaluated and recommended even though there had been number of national suppliers to Office Equipment. When making the payments of Rs.4,258,160 for the optional work the recommendation of the prior engineer had not been taken.

##### Comment of the Management

The condition that mentioned the institutions which would be able to provide supply all would be given priority had been inserted in the bid notice in the aim of making the procurement procedure more regulated and favourable. Also further inform that the payments for all the exceptional work had been done under the accepted prices.

##### Recommendation

Actions should be taken according to the State Procurement Procedure.

### 3.6 Deficiencies in Contract Administration

##### Audit Observation

To prepare the front fence by installing a new gate and regulate all the actions in Kandana Market Place and renovate the essential parts of the buildings within 02 weeks starting from 03 December 2021 had been made agreement with an Association for Rs.2,999,879. Association had requested a 75 percent advance on 27 October 2021 and Sabha had been paid 70 percent advance of Rs.2,099,286 on 08

##### Comment of the Management

Sabha should be reimbursed before 31 December therefore a report had been made inserting only the amount that should be reimbursed. Therefore the Work Superintendent had given

##### Recommendation

Actions should be taken according to the State Procurement Procedure.

December 2021 violating the Section 5.4.4(i) of the State Procurement Guidelines. It had been observed in the Physical Investigation held on 10 January 2022 that only the two Gate Posts had been built and Even though the Project had not been finished which made the agreement on 03 December 2021, the Work Superintendent had been recommended that the tasks had been completed properly as at 14 December 2021 and the task been done accordingly the Sub Section (iii) of the Financial Regulation No.237 and all the Estimates, Conditions and the Regulations in the agreements had been followed therefore to pay Rs.2,999,879 to the Association. A Last Payment Report, Measurement Statement and a Payment Voucher had been fraudulently made without dates equal to the estimated amount of Rs.2,999,879 and sent for the Commissioner of Provincial Council on 24 December 2021 requesting money to pay for an unfinished project.

recommendation after  
satisfying on the  
completion of work.