

Angunukolapelessa Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Angunukolapelessa Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Statement of financial position as at 31 December 2022, Statement of Financial Operations, statement of changes in net 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 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 accompanying financial statements give a true and fair view of the financial position of the Angunukolapelessa Pradeshiya Sabha as at 31 December 2022, 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

My opinion is qualified 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 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'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 skepticism 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) The reimbursed salary receivables amounting to Rs. 500,000 as at the end of the year under review had been understated.	It will be corrected by the prior year's financial statements.	Receivables reimburse should be accounted.
(b) The write-off of uncollected business tax income of Rs. 143,120 in relating to previous years, had been accounted for as an expense in the year under review.	It was accounted for as an expenditure in the year under review by omission.	Expenses of the year should be recognized and account correctly.
(c) The key money amounting to Rs. 131,039 charged on lease of fisheries fish market had been accounted under miscellanies deposits without accounting as an income.	It will be accounted as an income.	Revenues should be recognized and account correctly.
(d) The receivable key money from the lessee on lease of a shop room during the year under review amounting to Rs. 80,000, had not been accounted as an income.	It will be corrected by the final statements of the year 2023.	Revenues should be recognized and account correctly.
(e) The recurrent expenditure donation of Rs.3,000,000 given to the Sabha by the Provincial Council in the year under review had been accounted as Capital Income and Revenue Assistance.	This income will be accounted as other income in future.	Revenues should be recognized and account correctly.

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| (f) | 13 people paid more than Rs. 141,250 for motor grader machine rent of the Sabha, had been accounted as pre received income without accounting under creditors. | It will be corrected by the prior year's financial statements | The creditor provisions should be accounted correctly. |
| (g) | According to the Southern Province Stamp Duty Charter No. 04 of 1994, for the year 2020 which will not be received by the council Rs. 296,600 Stamp Duty was accounted for as a receivable even at the end of the year under review. | It will be corrected by the next year's financial statements | Receivable income should be recognized and account correctly. |
| (h) | The business and license fee income receivable from 88 business units, on legal action taken amounted to Rs. 97,065 had been overstated at the end of the year under review. | This change has happened because a case register has not been maintained since the year 2019. | Receivable balance should be recognized and account correctly. |
| (i) | For 04 road construction projects implemented under the Rural Road Development Program - 2021, the debtor and creditor allocations of Rs. 71,362 had been overstated. | It will be corrected by the final statements of the year 2023. | Debtors, Creditors Provisions allocation should be recognized and account correctly. |
| (j) | The received discount in the purchase of library books for 03 libraries belonging to the council amounting to Rs. 39,995 had not accounted. | The received discounts will be accounted in future. | Revenues should be recognized and account correctly. |

1.6.2 Non reconciled control account

Audit Observation

There was a difference of Rs.3,631,075 in between the balances related to 10 accounting items shown in the financial statements presented at the end of the year under review and the balances shown in the related utility registers/schedules.

Comment of the Sabha

The action will be taken to correct in future.

Recommendation

The account should be corrected by reconciling the differences in the relevant balances.

1.6.3 Lack of Documentary evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
Due to non-submission of required information 03 accounting items totaling to Rs. 196,105 could not be satisfactorily vouched during the audit.	The detailed schedules will be prepared in future and the balance of outstanding transactions is a balance that has been going on for many years.	Evidence should be submitted confirming the account balances shown in the Financial Statements.

1.7 Non-compliances

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

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below.

Reference to Laws, Rules, Regulation and Management Decisions	Non – Compliance	Comment of the Sabha	Recommendation
(a) The Financial Regulations 571 of the Democratic Socialist Republic of Sri Lanka.	The action had not been taken to disposed of 33 deposit balances amounting to Rs. 959,758	Rs. 604,332 was settled and Rs. 101,275 was a death gratuity and the there are problems regarding the remaining of Rs. 254,150.	The action should be done in accordance with the financial regulations
(b) The Section 02 (iv) of Public Administration Circular No. 09/2009 dated 16 April 2009	An officer had been paid Rs. 135,584 holiday pay for 62 days in the year under review in contra to the circular provisions .	The attendance register, visiting register and field book have been used to confirm arrival and departure on days when holiday pay has been paid.	The action should be done in accordance with 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 amounted to Rs. 4,421,128 as compared with excess of revenue over recurrent expenditure amounted to Rs. 3,979,500 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 chairman, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are given below.

Source of Revenue	2022				2021			
	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
Other Tax	802,000	747,070	781,430	31,030	761,000	707,660	673,540	65,390
Rent	13,966,850	13,401,004	13,654,221	230,914	13,460,401	14,935,546	11,989,306	484,131
License Fees	2,499,480	3,088,621	3,224,565	125,881	1,956,270	2,887,873	2,631,641	261,825
Other Income	143,796,662	46,610,639	45,279,519	4,117,440	2,294,930	2,212,711	1,803,677	2,786,320
Total	161,064,992	63,847,334	62,939,735	4,505,265	18,472,601	20,743,790	17,098,164	3,597,666

2.2.2 Performance in Revenue Collection

Following observations were made regarding the Performance of Collection of revenue of the Sabha.

Audit Observation	Comment of the Sabha	Recommendation
(a) The action had not been taken to collection Rs.31,030 business tax due from 25 businesses in accordance with the Section 159 (1) of the Pradeshiya Sabha Act as at 31 December of the year under review.	The action will be taken to recover the arrears in future.	The arrears of income should be recovered.
(b) 4 areas of the Sabha jurisdiction had been declared as developed areas in the year 2013 and almost 10 years have passed as at 31 December of the year under review, however the assessment tax was not collected as per the Section 134 (1) of the Pradeshiya Sabha Act.	The property will be assessed and assessment tax will be collected in the future	The action should be taken to valuation of properties and tax levied.
(c) According to the Section 04 of the Circular of the Local Government Commissioner (South) No. SLG/CLG/2010/01 dated 27 December 2010, the ownership of Debokkawa Shop No. 04 was transferred to another person on 28 July 2022, and during that transfer, Rs. 80,000 had not been still collected as at 30 January 2023 at the date of audit.	The actin will be taken to collect the arrears in future.	The arrears of key money should be collected.

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| (d) | The vehicle rental income of Rs.190,880 receivable on the car rental of the Sabha had not been recovered as at 31 December of the year under review. | Rs. 26,222 has been sent to the governor for getting approval for write off and the remaining arrears will be recovered. | The arrears of key money should be collected. |
| (e) | The Court fines and stamp duty receivable from the Chief Secretary of the Provincial Sabha as at 31 December of the year under review were Rs.1,378,868 and Rs.3,295,294 respectively. | The arrears will be collected. | The arrears of income should be collected. |

3. Operational Review

3.1 Performance of functions assigned by the Act

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 3 of the Pradeshiya Sabha Act are shown below.

Audit Observation	Comment of the Sabha	Recommendation
The land had been given by the Mahaweli Authority for the non-biodegradable waste disposal site to conduct waste management, however on the land given to the Sabha had only been covered with soil and action had not been taken to follow environmentally friendly disposal method.	Covering non-recyclable solid waste with a thin layer of soil.	Solid waste should be recycled in an environmentally friendly manner.

3.2 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) To Transport soil from Ranna Kasagala Road to Velamita Junction by a Sabha Road, a person had been charged Rs. 50,000 tax and approval was given from a period of one year from 21 February 2019, and when the road has not been rehabilitated after soil transportation, permission was given again from 02 January to 06 December 2022 based on that tax.	The chairman has given instructions in writing to extend the agreement by reimbursing the earlier security deposit.	The road should be inspected and a quality report should be obtained and necessary action should be taken.

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| <p>(b) The Sabha did not have specific information regarding the number of street lights installed and maintained within the Sabha's jurisdiction, as the number of street lights installed and maintained within the Sabha's jurisdiction had not been completed in the year under review. For the maintenance of street lights Rs. 2,240,843 had been incurred during the year under review, from the Sabha fund, and as per letter Number PE/01/01 dated 17 August 2010 of the Secretary, Ministry of Power and Energy, the cost incurred due to non-installation of street lights had not been reimbursed from the Electricity Board.</p> | <p>It has not yet been possible to enter into an agreement with the Electricity Board.</p> | <p>The action should be taken in accordance with the letter of the Secretary of the Ministry of Power and Energy.</p> |
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3.3 Assets Management.

Audit Observation	Comment of the Sabha	Recommendation
<p>(a) 02 annual leased properties owned by the Sabha which were last leased in the year 2018 and 2019 had failed to be leased in the year under review.</p>	<p>As the lessees did not come forward to lease these properties, the Sabha itself did the tax collection.</p>	<p>Tax conditions should be relaxed and tendered for lease.</p>
<p>(b) The legal ownership of 140 lands used by the Pradeshiya Sabha and the ownership of 4 vehicles and machinery, whose date of acquisition was not specified, had not been taken over by the end of the year under review.</p>	<p>The Divisional Secretariat and Mahaweli Authority had been informed to take over the land and further work will be done according to the recommendations of the Local Government Department for 04 vehicles and machinery.</p>	<p>The action should be taken to take legal ownership of the assets.</p>

3.4 Deficiencies in contract administration

Audit Observation	Comment of the Sabha	Recommendation
<p>(a) For the supply and transportation of 37.5 mm mettle in relation to 16 road development projects that were developed using concrete mettle, Rs. 4,106,786 had been paid however the density coefficient of mettle remained below the prescribed standard.</p>	<p>The action had been taken to paid because compressibility in all construction work was between 95 percent and 100 percent.</p>	<p>ABC should be compounded at the specified percentage for payment.</p>

- (b) The remaining part of the access road to the crematorium and the parking area are covered with concrete blocks. Rs.3,258,756 had been paid for the concrete blocks. Although the compressibility of a concrete block should be 30 N/mm², the full amount was paid to the contractor when 07 blocks out of the 36 concrete blocks that were subjected to the quality test did not have the required compressibility.
- The contracting entity was informed to remove the spread blocks and take the blocks again and get a new quality inspection report.
- The blocks laid in the field should have proper compaction.
- (c) Rs. 6,403,054 had been paid for the construction work of Kumbukmulla Jana Udanagama Children's Park.
- i. For the construction of PVC netting of 252 square meters in this construction work Rs. 1,119,943 was entered in the payment report, however the netting was not properly painted and the GI pipes used for the fencing were rusted.
- The defects will be rectified by the contractor before payment is made.
- The work should be completed as per the estimate
- ii. The extent that 789 cubic meters of soil was taken from outside to fill the soil in the area where the children's garden was built and Rs. 10,615,568 was included in the payment report however the permit obtained from the Bureau of Geological Survey and Mines for obtaining soil from outside was not submitted for audit.
- There are other government agencies to regulate the excavation and transport of soil, so it was not paid attention.
- Relevant evidence should be obtained to confirm the amount of cubic soil paid.
- (d) In relation to 24 road development projects that had been implemented by the council, for 37.5 mm for stone, shape work, concrete and rushed stone transport totaling to Rs. 191,138 had been overpaid.
- The overpaid amount will be recovered from the contracting entity will be notified.
- Overpayments should be recovered from the responsible officials.
- (e) The Construction work audit - An audit quarry had been issued in relation to the year 2021 regarding 02 construction work, overpayment of Rs. 497,223 had not been recovered. However, the follow up action in accordance with the provisions of the Financial Regulation 155 had not been taken.
- The action will be taken to charge from the retention money in future.
- Overpayments should be recovered from the responsible officials.