

Haputale Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Haputale Pradeshiya Sabha for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Sabhas 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 presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Haputale Pradeshiya Sabha as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). 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 Sub-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 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 judgment and maintain professional skepticism throughout the audit. I also:

- Appropriate audit procedures 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 Sabha's internal control.
- Evaluate the 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.
- 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 Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Institution;
- Whether the Sabha has performed according to its powers, functions and duties; and
- Whether the resources of the Sabhahad 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 special provisions are included in relation to the following requirements specified in the National Audit Act, No.19 of 2018.

- (a) According to the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018, the financial statements of the Pradeshiya Sabha are consistent with the preceding year.
- (b) The financial statements presented includes the recommendations made by me in the previous year 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 Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Value of 03 industries valued at Rs.2,659,865 which completed the work in the year under review, had not been capitalized..	Will be capitalized in the following year	Accounts should be prepared accurately
(b) Total value of Rs.843,841 of 04 buildings which were destroyed and removed in the year under review and preceding years had not been omitted from accounts.	Action will be taken to omit the value of the same buildings destroyed and removed , from accounts in the following year.	Accounts should be prepared accurately
(c) Even though domestic loans and the loan installments and interests payable to the Development Fund had been shown in non-current liabilities as Rs.3,609,161, loan installments and interests which is due from to pay in the year 2023 had not been separately shown in the statement of financial position as current liabilities by identifying .	The loan amount relevant to the current liabilities will be brought to accounts accurately.	Accounts should be prepared accurately

1.6.2 Non-reconciled Control Accounts and Reports

Audit Observation	Comment of the Sabha	Recommendation
A difference of Rs.997,924 was existed between the capital aids balance according to the statement of financial position as at 31 December in the year under review and the balance according to the schedules.	Will be corrected in the following year	Accounts should be prepared accurately

1.7 Non-compliance

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

Instances of non-compliances with Laws, Rules, Regulations, and Management Decisions, are as follows.

Reference to laws, rules, regulations etc.	Non-compliance	Comment of the Sabha	Recommendation
(a) Pradeshiya Sbha Act, No.15 of 1987 Section 134(2)	Rates had not been charged by identifying the areas which made developed.	Necessary action will be taken by forwarding to the General Council which is scheduled	Action should be taken to charge rates from each and every developed area.

to be established in due course.

- (b) Paragraph 2 of Declaration of Assets and Liabilities Law, No.01 of 1975 Action had not been taken to submit assessment and liabilities declarations by 16 members for the year under review. Will be aware the members so as to submit assessment and liabilities declarations by 16 members for the year under review. Assessment and liabilities declarations should be obtained.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs.6,993,920 for the year ended on 31 December 2022 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.8,059,167.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

According to the information provided by the Chairman, particulars on the estimated revenue, billed revenue, collected revenue and outstanding revenue relating to the year under review and the preceding year, are as follows.

Source of Revenue	Estimated Revenue	2022		Total Arrears as at 31 December	2021		Total Arrears as at 31 December	
		Billed Revenue	Collected Revenue		Estimated Revenue	Billed Revenue		Collected Revenue
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
(i) Rates and Taxes	1,984,474	1,863,874	2,333,438	(469,564)	1,562,934	1,767,070	916,541	850,529
(ii) Rents	5,451,610	4,103,916	5,166,888	(1,062,972)	2,225,640	3,874,454	2,338,613	1,535,841
(iii) License Fees	1,102,300	1,232,590	616,934	615,656	1,154,700	916,370	915,870	500
(iv) Other Revenue	13,846,950	18,578,895	8,130,228	10,448,667	15,108,200	15,206,632	10,742,803	4,463,829
Total	22,385,334	25,779,275	16,247,488	9,531,787	20,051,474	21,764,526	14,913,827	6,850,699

2.2.2 Performance in Collecting Revenue

Observations on Performance in Collecting Revenue in the Sabha are as follows

Audit Observation	Comment of the Sabha	Recommendation
(a) A sum of Rs.9,531,787 had not been recovered as at the end of the year from the total revenue of Rs.25,779,275 which has	Majority of the outstanding revenue has been recovered	Outstanding revenue should be recovered without delay.

billed in the year under review and it was 36 percent from the total billed revenue.

by this time.

- (b) Outstanding trade stall rent of Rs.100,376 existed from the period of 02 years from 14 trade stalls and outstanding rents of Rs.104,550 from 25 trade stalls as at 31 December in the year under review had not been recovered.

Outstanding monies will be charged in due course.

Outstanding revenue should be recovered without delay.

3. Operating Review

3.1 Execution of duties vested by the Act

Under Section 3 of the Pradeshiya Sabha Act, the matters observed on the execution of the duties which should be executed by the Sabha such as be charged with the regulation, control and administration of all matters relating to public health, public utility services and public thorough fares and generally with the protection and promotion of the comfort, convenience and welfare of the people and all amenities within such area are given below.

Audit Observation

Environmental Protection License had not been obtained for the solid waste management programme.

Comment of the Sabha

Action is being taken for the obtaining of Environmental Protection License

Recommendation

Environmental Protection License should be obtained for the solid waste management centre.

3.2 Un-economic Transactions

Audit Observation

According to the Rule No,01 mentioned in the Gazette Extra Ordinary No.2122/29 dated 08 May 2019, if the Chairman of the Pradeshiya Sabha use the vehicle of the Sabha, expenses could be incurred by the Sabha fund for less than 400 litres per month. However, contrary to that, 1597.8 litres of fuel had been used by exceeding the approval for a cab vehicle owned by the Sabha, from January to December in the year under review.

Comment of the Sabha

Approval has been obtained only for the running of cab vehicle out of the Uva Province.

Recommendation

Fuel consumption should be done within the approved limit.

3.3 Assets Management

Audit Observation

- (a) Even though 03 water motors at Rs.37,700 had been shown under machineries and equipment according to the statement of financial position in the year under review, deficit of 02 water motors existed in

Comment of the Sabha

Action will be taken as per the instructions of the Department of Local Authorities.

Recommendation

Action should be taken regarding the deficit goods and losses should be charged.

physical examination. Follow up actions had not been carried out on the same deficits.

- (b) Six flag poles, 19 office revolving chairs, 11 computer chairs and 09 armed chairs at a value of Rs.213,610 which had been brought to accounts under furniture and fixing in the statement of financial position in the year under review, were not physically observed.

Action will be taken as per the instructions of the Department of Local Authorities

Action should be taken regarding the deficit goods and losses should be charged.

3.4 Human Resource Management

Audit Observation	Comment of the Sabha	Recommendation
(a) Membership of the Public Service Provident Fund had not been granted for 11 employees recruited during the period from 2013 to 2021 to the Pradeshiya Sabha.	Activities for the obtaining of the membership of the Public Service Provident Fund is being carried out.	Membership of the Public Service Provident Fund should be granted for casual, substitute, temporary employees .
(b) Outstanding loan balance from the officers who transferred out and left from the service should be recovered from the guarantees .However, action had not been so taken in relation to the loan balances amounting to Rs.40,773 recovered from 05 employees.	Action will be taken to recover in due course.	Outstanding employee loan balance should be recovered without delay.