

Neluwa Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Neluwa Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of financial position as at 31 December 2023, Statement of Financial Operations, statement of changes in net assets, 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 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 Neluwa Pradeshiya Sabha as at 31 December 2023, 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 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.

- 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.
- 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 value of cars and carts was Rs.323,790 and the court fine bills had been understated by Rs.107,128, At the end of the year under review.	Action will be taken to corrected in the future.	Should be accounted correctly.
(b) There was a difference of Rs.21,899 between the balance of the general cash book and the balance of the bank current account.	-do-	-do-
(c) The unused electricity stock of Rs.27,220 had not been accounted for at the lower of cost and net realizable value.	-do-	-do-

1.6.2 Lack of Documentary evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
Due to non-submission of the necessary detailed schedules for the confirmation of 14 accounting items aggregating to Rs.11,650,093 could not satisfactorily examine during the audit	Agreed.	Evidence should be submitted to confirm the account balances.

1.7 Non-compliances

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

Reference to Laws, Rules, Regulation	Non – Compliance	Comment of the Sabha	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987			
(i) Section 23	A road inventory document containing the details of the roads should be maintained, but action not be taken made to prepare the documents.	will be corrected in the future	Action should be taken according to the Act.
(ii) Section 24	After the year 2020, the details of existing Sabha roads in the Sabha area had not been published through a gazette.	-do-	-do-
(iii) Section 134(1)	There was no focus on identifying developed areas within the council's jurisdiction and collecting assessment tax on immovable properties.	It is designated as a developed area	-do-
(b) 560 and 561 of Provincial Council (Finance and Administration) Rules 2021	Although computers and related devices and software should be kept separate documents, it had not been done accordingly.	will be corrected in the future	Action should be taken according to the Financial Rules.

- (c) 104 Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Action had not been taken regarding the damage to the cab. -do- Action should be taken according to the Financial Regulation.
- (d) Public Administration Circular No. 18/2001 dated 22 August 2001. It was seen that 07 officers of the Sabha are working at the same place for a period of 5 to 10 years, contrary to the circular rules. Annual transfer applications have been forwarded. Action should be taken according to the Circular.
- (e) Circular No. SS/02/12/05 dated 22 May 2018 of the Chief Secretary of the Southern Province. 04 vehicles and machinery which were in a dilapidated and unusable condition had not been disposed. The dilapidated parts of the tractor bowser will be prepared and used and that other dilapidated vehicles will be disposed. Action should be taken according to the Circular.

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs.5,615,264 as compared with the excess of revenue over recurrent expenditure amounting to Rs.5,178,452 in the preceding year.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Source of Revenue	2023				2022			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Taxes	354,040	444,710	436,742	114,172	425,000	438,883	390,772	106,204
Rent	6,878,922	10,530,990	6,607,203	7,242,474	7,587,694	6,561,510	6,843,559	3,318,687
License Fees	201,500	245,250	245,000	250	283,600	172,430	172,430	-
Other revenue	2,283,500	4,051,459	3,153,337	1,014,298	2,395,604	1,076,653	1,102,737	116,176
	9,717,962	15,272,409	10,442,282	8,371,194	10,691,898	8,249,476	8,509,498	3,541,067

2.3.2 Performance in Revenue Collection

Audit Observation	Comment of the Sabha	Recommendation
(a) As at 01 January of the year under review, the total outstanding income was Rs.3,541,067, and the billings for the year were Rs.15,272,409. The outstanding balance at the end of the year was Rs.8,371,194.	Will be recovered in the future.	Actions should be taken to recover the arrears.
(b) Although each agreement for shop rooms should be updated once in 03 years, the lease agreements related to 08 shop rooms owned by the Sabha had been contracted to be valid for the next 04 years from the year 2020. Also, the lease agreements related to 13 shops were not updated after the year 2019.	In this regard, related activities will be carried out in the future.	Action should be taken according to Circular.
(c) In Neluwa Super Market, 12 shopkeepers with a period of between 01 and 03 years were charged Rs.474,096 and Rs.48,715 from one shopkeeper for more than 03 years.	Will be recovered in the future.	The arrears should be recovered.
(d) An amount of Rs.175,165 for renting the fish stall for a period between 01 and 03 years, Duwili Ella was also required to charge Rs.615,809 from two persons for the annual rent to be charged on the tender.	will be recovered in the future.	The arrears should be recovered.
(e) According to the register, a fee of Rs.449,025 had not been collected in accordance with the provisions of Gazette No. 2313 dated 30 December 2022 for 70 hoardings that were displayed within the Sabha limits, however the Sabha had not taken legal action in this regard.	The arrears will be recovered in the future.	Actions should be taken to recover the arrears.
(f) Court fines of Rs.815,153 and stamp duty of Rs.5,683,520 should have been received from the Chief Secretary of the Provincial Council and other authorities.	That will be recovered in the future.	Actions should be taken to recover the arrears.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
Construction of Dhuly Ella Shops (Phase II) Although provision has been received on 15 December 2021 under Chief Secretary's budget for handrail making industry, as this industry was not carried out until one year after receiving the provision, an extra payment of Rs.199,753 had to be made due to the increase in the price of goods.	Contractor had not been came due to the steep rise in the price of raw materials.	Approved development proposals should be implemented expeditiously.

3.2 Operational Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) As 23 organizations that should obtain environmental permits did not obtain permits, the Sabha attention was not drawn to the damage to the environment, and accordingly the Sabha did not charge Rs.103,500 as license fees and Rs.69,000 as inspection fees.	The relevant activities will be carried out promptly.	Action should be taken as per the gazette.
(b) A numbered street lamp register was not maintained, so details of repairs carried out to each lamp post could not be identified, and no system was developed to identify the distance between street lamp posts. In the year 2023, an expenditure of Rs.434,009 was incurred for the maintenance of street lights.	About 786 street light poles have been installed in the jurisdiction.	Follow up action should be done.

3.3 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) Although all the properties owned by the Sabha should be administered by the Sabha, on the contrary, 08 lands had been used illegally, and the Sabha had not been taken any action in this regard.	Legal action will be taken.	Action should be taken according to the Act.

- | | | | |
|-----|--|--|---|
| (b) | The Sabha did not own the 11 lands included in the fixed assets register, and had not taken action to settle their rights. | The related work is being done. | Actions should be taken to settle the rights. |
| (c) | In 2015, the 6,000 liter Foton Water Bowser, which was received from the Ministry of Local Government and Provincial Councils and was valued at Rs.6,800,000, remained idle. | Because there are steep and narrow roads for houses where requests are made, this water bowser is difficult to move. | The assets owned by the Sabha should be put to use. |
| (d) | The tractor trailer worth Rs.60,000 received from the Ministry of Local Government and Provincial Councils in 2013 had not been taken over. | Will be Taking over. | Action should be taken over. |
| (e) | According to library book survey, there were 219 missing books in 02 libraries, and action had not been taken for it. | It is expected to be done on the recommendations of the library committee. | Action should be done according to the regulations. |

3.4 Delays in projects, activities or capital works

Audit Observation	Comment of the Sabha	Recommendation
(a) 02 industries with a total value of Rs.23,500,000 which were planned to be implemented in the year 2023 had not been implemented by the year under review.	Provision will not been received.	Action should be done according to the action plan.
(b) Under the Southern Province Development Plan 2023, allocation of Rs.5,000,000 had been approved for the implementation of 10 projects for road development, but 07 industries worth Rs.2,900,000 had not been implemented.	The amount allocated for the projects was canceled by the letter dated 04.12.2023 of the Commissioner of Local Government.	The development activities of the area should be done as scheduled.

3.5 Human Resource Management

Audit Observation	Comment of the Sabha	Recommendation
The amount of Rs.10,730 due from 02 officers who died while serving in the Sabha had not been recovered	It has been referred to the Assistant Commissioner's Office for removal from the books.	Arrangements should be made to settle the debt.