

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Palindanuwara Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of Assets and Liabilities as at 31 December 2023, Comprehensive Income Statement, Statement of changes in net assets/ equity, 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, , the accompanying financial statements give a true and fair view of the financial position of the Palindanuwara Pradeshiya Sabha as at 31 December 2023, 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 Opinion

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 Sri Lanka Public Sector Accounting Standards for Local Authorities 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.

- 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 Non-compliances

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) Pradeshiya Sabha Act No. 15 of 1987 (i) Section 149	Although total income mentioned in the audited account report should be considered when granting licenses to hotels registered under the Tourism Development Authority, one percent of the operating turnover had been charged as license fee based on the income report prepared by the accountant of the tourist hotel.	The audit of the hotel is done by the army and that no other audit will take place.	Proceed in accordance with rule
(ii)Section 159(1) .	In respect of 12 assesses whose assessments had been in arrears for more than 05 years, property prohibitions were not carried out as the last step to recover the arrears of assessments.	That should be recovered from 12 people	-do-

(b) State Finance Circular
No. 01/2021 dated 29
September 2021

(i) section 2.1 without obtaining the contracts will be -do-
recommendations from regional awarded in future
secretary that society in compliance according to the
with the criteria mentioned in circulars.
section 2.3 of the circular, projects
worth Rs.29.5 million had been
awarded to the societies during the
year under review.

(c) (ii)section 2.2 one society had been awarded Since the community- -do-
projects exceeding Rs.05 million . based organizations did
not present, it was
given to the
Community Board
Society, and contracts
exceeding 05 million
will not be awarded in
the future.

(d) Asset Management 15 lands owned by the sabha were After the Local -do-
Circular No. 04/2018 not assessed by a professional Government
dated 31 December valuer Department will
2018 completing the
measurements ,assesses
are made.

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs.8,643,976 as compared with the excess of revenue over expenditure amounting to Rs. 5,738,191 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 Secretary, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are as follows

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)
(i) Rates and Taxes	1,177,000	1,044,980	846,638	378,980	2,565,000	2,336,530	2,131,424	725,118
(ii) Rent	5,258,300	6,890,000	6,499,312	692,766	7,060,000	4,681,882	4,681,882	957,759
(iii) License Fees	1,680,000	1,410,200	1,410,200	281,050	425,000	212,000	212,000	111,000
(iv) Other Revenue	372,000	312,000	312,000	-	428,000	498,100	412,100	128,812
	8,487,300	9,657,180	9,068,150	1,352,796	10,478,000	7,728,512	7,437,406	1,922,689

2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Sabha are given below.

Audit Observation	Comment of the Sabha	Recommendation
(a) Rents		
(i) The rent arrears of Makeli Ella traffic parking was Rs.86,003 at the beginning of the year under review and no amount was recovered during the year.	That legal action is to be taken.	Actions should be taken to recover the arrears.
(ii) Arrears of rent of Rs.86,000 and Rs.85,750 respectively for the period from July 2022 to December 2022 and for the period from February 2023 to July 2023 had not been collected at the end of the year under review.	-do-	-do-
(iii) Weekly market rent deficit was Rs.113,697 at the beginning of the year under reviewed and, Rs.95,754 or 84 percent was not collected during the year.	Will be recover from the relevant officers.	-do-
(iv) , The butchery rent deficit was Rs.105,050 at the beginning of the year under review and no amount was recovered from it during the year.	Legal action will be taken to recover.	-do-

- (v) The arrears of fish shop rent was Rs.15,277 at the beginning of the year under review and no amount was recovered from it during the year. Arrears will be recovered in the year 2024. -do-

(b) Other income

Court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities by 31December 2023 were Rs.5,000,000 and stamp duty was Rs.7,642,515. Schedule for the year 2023 is currently being prepared. -do-

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) According to Condition Number 07 of the lease agreement related to Makeliella Viewing Centre, instead of receiving security deposit of 03 months from the tenderer, taking security deposit as one month's rent, and as per condition No. 21 of the agreement, due to non-payment of arrears, the sabha had been incurred financial loss of 171,750 and sabha had not dealt with financial regulation 156.	The agreement has been corrected in year 2024 .	Action should be get accordance with the relevant financial regulation.
(b) Due to non-compliance with the agreement related to the lease of the Sunday market , legal action had to be taken to collect the rent deficit amounted to Rs.534,040 for 5 months of the year under reviewed.	legal action have been taken to recover the amount.	It should be done according to the agreement.

3.2 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) The ownership of 08 lands enjoyed by the sabha had not been transferred to the sabha.	Survey work should be done to acquire the land and the necessary provisions have been requested from the local government department.	Arrangements should be made to transfer the ownership of the lands.

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| (b) 04 lands owned at establishment on 15 April 2006 of Palindanuvara Pradeshiya Sabha were not identified, at the end of the year under review. | The inquiries have been made from Palindanuvara Divisional Secretary to provide details about these 04 lands. | Land owned by the Sabha should be identified. |
| (c) According to Section 10 of the Public Cemeteries and Private Cemeteries Ordinance No. 57 of 1946, security fences should be prepared for the protection of cemeteries, however none of the cemeteries owned by the Sabha had not fenced boundaries. | After measuring and taking over the cemetery, fences will be prepared. | Action should be taken according to the Ordinance. |
| (d) The ownership of 30 cemeteries under Palindanuvara Pradeshiya Sabha administration was not transferred to the Sabha. | Accepted. Since the land is owned by the Divisional Secretary, recommendations will be taken and measures will be taken in the future. | The ownership of the cemeteries should be taken over by the Sabha immediately. |

3.3 Deficiencies of Contract Administration

Audit Observation	Comment of the Sabha	Recommendation
The water project in Uduvankanda Kapugedara area had only laid pipes as at February 2023 and, the drinking water needs of the people had not been met at the end of the year under review.	Rs. 10 lakhs has been received in the year 2024 and further work will be done accordingly.	The need of drinking water of the people should be fulfilled immediately.

3.4 Human Resource Management

Audit Observation	Comment of the Sabha	Recommendation
(a) Without prior approval of the Department of Management Services, the salaries of 33 employees recruited from the year 2020 were reimbursed by the Local Government Department until the year 2022 and the salary of the current year was paid from the sabha fund.	As these employees are not included in the sanctioned number of employees, F.R. 71 approval has been sought.	Staff should be approved and employed and paid accordingly.

(b) No amount was recovered at the end of the year under review from the loan balance of Rs.202,496 from an officer who was transferred from Palindanuwara Pradeshiya Sabha to Kalutara Health Services Director's Office since November 2022. That the loan balance will be paid in the future. Debt balances due from transferred officers should be settled promptly.