

Kirinda Puhulwalla Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kirinda Puhulwalla Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the 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 the sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and 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 Kirinda Puhulwalla 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 Principles.

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 Principles, 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 the 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 contents of the financial statements including the disclosures and whether the financial statements represent the underline 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 the Pradeshiya Sabha has performed according to its powers, functions and duties; and

- Whether the resources 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 Council	Recommendation
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(a)	The cost of Rs.32,800 incurred for the construction of handrails on the upper floor of the pradeshiya sbha library building had not been capitalized.	Measures will be taken to correct.	This should be properly accounted for.
(b)	Receivables and payables of Rs.43,742 for repairs to the upper floor of the pradeshiya sabha building had not been accounted for under debtors and creditors respectively.	Measures will be taken to correct in due course.	This should be properly accounted for.
(c)	An amount of Rs.45,767 previously received for 4 income heads and an amount of Rs. 98,495 billed as overcharges in relation to 04 income heads had been accounted for under the respective heads of income.	Measures will be taken to correct in due course.	This should be properly accounted for.
(d)	No provision had been made for the stamp duty due for the period from May to December of the year under review and an amount of Rs.38,600 payable to the Railway Department for free train licenses.	Measures will be taken to rectify the stamp duty and no provision had been made as the amount of railway	This should be properly accounted for.

license fee by the end of the year under review is unknown.

- (e) 59 items of inventory worth Rs.154,749 had been accounted under property, plant and equipment. Measures will be taken to correct. This should be properly accounted for.

1.6.2 Unreconciled Control Accounts or Registers

Audit Observation	Comment of the Council	Recommendation
It had not been possible to satisfactorily check the balance of land and buildings which totaled Rs.64,017,172 due to non-submission of the necessary information.	Agreed.	Measures should be taken to compare the differences in the respective balances and the correct the accounts.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of recurrent expenditure over recurrent revenue of the Sabha for the year ended 31 December 2023 amounted to Rs. 6,567,491 as compared with excess of recurrent expenditure over recurrent revenue amounted to Rs. 4,683,492 in the preceding year.

2.2 Revenue Administration

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

Source Of Revenue	Estimated Revenue Rs.	2023			2022			Arrears as at 31 December Rs.
		Revenue Billed Rs.	Revenue Collected Rs.	Arrears as at 31 December Rs.	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	
(i) Rates and Taxes	1,661,562	1,661,155	1,810,035	660,079	1,025,485	922,123	828,320	808,959
(ii) Rent	6,394,400	3,858,035	3,810,403	424,130	4,915,200	1,643,740	1,643,524	376,498
(iii) License fee	285,060	270,561	272,961	35,925	330,100	484,510	543,360	38,325
(iv) Other Revenue	1,638,500	3,845,936	3,845,936	-	1,678,200	-	-	-
	9,979,522	9,635,687	9,739,335	1,120,134	7,948,985	3,050,373	3,015,204	1,223,782

2.2.2 Performance in Revenue Collection

Audit Observation -----	Comment of the Council -----	Recommendation -----
(a) The outstanding assessment tax balance at the beginning of the year under review was Rs.808,959, and 2,470,114 should have been charged with a billing of Rs.1,661,155 in respect of 565 assessment units. There was an outstanding balance of Rs.660,079 relating to 161 assessment units by the end of the year since the total collection during the year was Rs.1,810,035.	Rs. 145,616 had been recovered by 31 March 2024 from the outstanding balance and the remaining balance will also be recovered.	Arrears of revenue should be collected promptly.
(b) There were outstanding balances of more than Rs.10,000 in relation to 06 shops out of the 17 shops that had outstanding balances at the end of the year under review, and it was a percentage of 35 percent of the total number of shops with outstanding balances.	There is an arrears of Rs.126,834 after collecting Rs.36,490 by the end of March 2024.	Arrears of revenue should be collected promptly.
(c) An amount of Rs.1,276,947 should have been received as stamp duty from the Chief Secretary of the Provincial Council and other authorities.	An amount of Rs.1,276,000 had been received by 31 March 2024.	Arrears of revenue should be collected promptly.

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 Council -----	Recommendation -----
Nearly 800 kg out of the amount of 1500 kg of garbage collected daily in the council area had been used for the compost production process, and even though nearly 240,000 kg of garbage had been collected by the date of audit 26 October 2023, the quantity of compost produced during that	The sale of organic fertilizers fluctuates according to the government's fertilizer policy, and fertilizers are not sorted and piled and	A proper waste management plan should be adopted.

period was 9,670 kg. Accordingly, are prepared according to the order. Accordingly, compared to the amount of waste that can be used for compost production, the compost production was as low as 4.03 percent compared to the amount of waste that can be used for compost production.

3.2 Operating Inefficiencies

Audit Observation	Comment of the Council	Recommendation
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(a) Even though 03 to 07 years had been passed after giving development licenses for 153 building applications approved within the period from 2016 to 2020 in terms of the section 10(6) of the Urban Development Authority act No. 41 of 1978, compliance certificates had been issued to 57 buildings out of them.	Measures will be taken to issue compliance certificates in due course informing the building owners.	Measures should be taken in terms of the Act.
(b) No measures had been not taken by the Council to remove unauthorized constructions in terms of the Powers vested on the Council by the Urban Development Authority Act No. 41 of 1978 amended by the Act No. 04 of 1982 and 44 of 1984 and the provisions of Section 52 of the Pradeshiya Sabha Act, No. 15 of 1987 regarding of the Udagamma Housing Project which had been implemented informally without the approval of the Pradeshiya Sabha in year 2019.	Measures are being taken to legitimate these unauthorized constructions.	Action should be taken in terms of the bill.

3.3 Deficiencies in contract administration

Audit Observation	Comment of the Council	Recommendation
An amount of Rs.143,882 had been overpaid to the contractor for 324 cubic meters of Soil as Rs. 444.08 per a cubic metre of soil due to use of the rate Rs. 1,108.30 introduced under E1-003 instead of the rate Rs. 664.22 introduced by the Southern Provincial Road Development Authority under Dr-005A for the first half of 2019 when preparing estimates related to the work subject of cutting	The price analysis will be obtained from the relevant institutions when preparing estimates and payment of bills and the attention for the same in due course.	The prescribed rates should be used.

drain for preparing the foundation when constructing concrete walls of 09 construction industries of concrete side drains, side walls and culverts implemented under the 'Sapiri Gamak' Community Based Rural Development Programme 2020 and the Rural Infrastructure Development Programme-2020.