

Pasgoda Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Pasgoda Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of Financial Operations, statement of changes in net assets and 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 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 reported 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 financial statements give a true and fair view of the financial position of the Pasgoda Pradeshiya Sabha as at 31 December 2023, and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles for the Local Government.

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 (SLAuS). 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 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 Standard for Local Governments, 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 financial reporting process of the Pradeshiya Sabha.

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 to be prepared of the Pradeshiya Sabha.

1.4 Auditor's Responsibility 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 scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk 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 procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's 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 Pradeshiya Sabha;
- Whether the Pradeshiya Sabha 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

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- (a) The financial statements of the Pradeshiya Sabha presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented includes all 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 preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation -----	Comments of the Council --- -----	Recommendation -----
(a) 05 construction projects worth Rs.205,000 that have not been in operation over the past years, had been brought to accounts under creditors.	That one construction project is to be completed in the year 2024 and since the amount Rs. 25,000 allocated for 04 projects each was not sufficient, such money is to be used to provide cylinders for the relevant areas.	This should be correctly accounted.
(b) The amount Rs.429,829 incurred for the construction of Mawarala weekly fair in the possession of the Council had not been capitalized.	That the VAT expense amounting to Rs.429,829, had been capitalized through the journal note No 02.	This should be correctly accounted
(c) 40 inventory items valued at Rs.355,742 had been brought to account under machine and machinery, furniture and fittings.	That it will be corrected in the future.	This should be correctly accounted

1.6.2 Non-existence of written evidence for the audit

Audit observation	Comments of the Council	Recommendation
06 accounts subjects totaling to Rs.28,171,334 could not be satisfactorily examined owing to the non-supply of required information.	That it will be shown in the fixed assets register in the future.	Evidence should be supplied to verify the account balances shown in financial statements.

1.7 Non-compliance

1.7.1 Non-compliance with laws, rules and regulations managements decisions

Reference to laws, rules, and regulations ----- -----	Non-compliance -----	Comments of the Council -----	recommendation -----
Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka.	Action had not been taken in accordance with Financial Regulations in respect of 34 deposit balances totaling to Rs.258,746 that had lapsed over 02 years.	That action is being taken to pay back the deposited money or take them under revenue following educating the relevant depositors.	Action should be taken in accordance with financial regulations.

2. Financial Review

2.1 Financial Results

According to financial statements presented, the revenue that had exceeded the recurrent expenditure of the Council for the year ended 31 December of the year under review, stood at Rs. 12,724,937 and correspondingly, the revenue that had exceeded the recurrent expenditure of the preceding year stood at Rs. 31,630,036.

2.2 Revenue Administration

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

Source of revenue	2023				2022			
	Estimated revenue Rs.	Billed revenue Rs.	Collected Revenue Rs.	Total Deficit as at 31 December Rs.	Estimated revenue Rs.	Billed revenue Rs.	Collected Revenue Rs.	Total Deficit as at 31 December Rs.
(i) Rates and Tax	2,956,600	2,282,625	2,532,302	262,606	1,991,500	2,335,586	1,910,523	512,283
(ii) Rent	9,846,960	9,712,368	9,929,263	458,575	10,883,760	7,256,696	7,886,314	675,470
(iii) License fees	751,200	1,104,040	1,165,478	134,000	821,150	1,042,543	981,105	195,438
(iv) Other Revenue	7,445,650	11,037,144	10,991,448	788,511	4,421,200	6,682,253	6,141,871	742,815
	----- 21,000,410 =====	----- 24,136,177 =====	----- 24,618,491 =====	----- 1,643,692 =====	----- 18,117,610 =====	----- 17,317,078 =====	----- 16,919,813 =====	----- 2,126,006 =====

2.2.2 Performance of Collection of Revenue

Audit Observation	Comments of the Council	Recommendation
(a) Although more than 1 ½ years have elapsed since the identification of developed areas of the Council and their subsequent publication in the gazette No 2284 dated 10 June 2022, no action had been taken to assess the properties and recover the rates.	That action will be taken to start the valuation of assessment tax in a manner that is possible to be implemented in the year 2025.	Action should be taken as per the Act.
(b) 91 shop rooms had been rented out out of the 93 shop rooms in 07 commercial complexes in the possession of the Council, and a rent amount of Rs.456,075 was to be recovered from 23 shop rooms. Of them, balance value over Rs. 5,000 stood at Rs.448,560.	A sum amounting Rs. 336,287 was to be recovered from a tenant owning 03 shop rooms and Rs. 6,837 in respect of 03 shop rooms also was to be recovered, and that court cases have been filed against those tenants.	Outstanding revenue should be recovered immediately.
(c) A balance amounting to Rs.336,287 prevailed to be recovered due to halting of payment of rent for a period from 22 months to 24 months, in respect of 03 shop rooms.	That legal action has been initiated against one buyer who has avoided making payments in respect of 03 shop rooms. .	Outstanding revenue should be recovered immediately.
(d) As per chapter 05 of the Circular No දපපා/පපාකො/2010/01 dated 27 December 2010 of the Commissioner of Local Government of Sothern Province, period of 01 year and 06 months had elapsed after expiration of the validity period of the agreement since no action had been taken to update the agreements related to 22 shop rooms owned by the Council Further, despite the provisions given in chapter 11 of the above Circular, 22 shop rooms of the 02 commercial complexes, had been subleased to other parties by the tenants charging higher amounts of money	Since the tenants have opposed to entering into a new agreements due to not agreeing with the new assessment tax money, that the lease agreements could not be updated, and also since leasing out is carried out on a pre-paid basis with tender method when constructing commercial complexes, that the rich businessmen obtain shop rooms by forwarding tenders for making additional income, and that the Council does not incur any loss since they have paid their monthly installments.	Action should be taken as per the circulars.
(e) The amount of Court fines owed from the Chief secretary and other authorities of the Provincial Council stood at Rs.986,119 while the stamp duty stood at Rs.17,389,714	That a sum of Rs. 982,119 of the court fines and a sum of Rs. 12,488,881 of the stamp duty had been received by 24 April	Outstanding revenue should be recovered immediately.

2024 and that it has been scheduled to write off the remaining court fine money amounting to Rs. 4,000 and the outstanding stamp duty values prevailing from a long period ago.

3. Operational Review

3.1 Performing of duties assigned by the Act

The following are the facts observed in the performance of functions that were to be carried out under section 3 of the Pradeshiya Sabha Act, relating to streamlining and controlling of public health, public utility services, public thoroughfares, wellbeing, ease and welfare of the public.

Audit Observation	Comments of the Council	Recommendation
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(a) Action had not been taken as per section 126 of Pradeshiya Sabha Act No 15 of 1987 to impose bylaws containing provisions related to granting approval for building plans in respect of buildings to be constructed within the limits of the Council area and to issuing license on land subdivisions.	That, as soon as receiving of the bylaw prepared commonly for all Local Government institutions by the Office of the Assistant Commissioner of Local Governments that had been referred to the Department of Local Governments, action will be taken to prepare it to suit the Council.	Bylaws should be imposed as per the Act.
(b) Although compost had been manufactured using the garbage disposed to the Boralampotha ¹ / ₄ acre land, it was observed that the manufacture of compost is not happening efficiently due to the insufficiency of space in the compost yard and the lack of a covered building. The council without implementing a proper system to dispose non-biodegradable garbage collected from the Council's area limits, had disposed them to the compost yard and buried them there.	Following the approval being received for the construction of a building to manufacture of organic fertilizer, that, it has been referred to the Technical Officer for preparation of a plan and that an alternative method has not been proposed for the recycling of non-biodegradable garbage except for covering with soil or burning and that a suitable land has been requested from the Divisional Secretariat for managing the garbage.	A proper garbage management project should be implemented.

- (c) No action had been taken to obtain a Environmental Protection License from the Central Environmental Orgernization even by 22 January 2024 for the compost Project implemented by the Council,
- That, since the ownership of the land that is used by the Council for the the garbage management affairs, is not held by the Council, it is not in a position to apply for a Envioreanmental Protection License.
- Action should be taken to obtain a Envioreanmental Protection License.

3.2 Management Inefficiencies

Audit Observation -----	Comments of the Council -----	Recommendation -----
Although survey activities related to 515 roads in 16 divisions within the limits of the Council area had been completed, maping activities related to them had not been completed, and action had not been taken to gazette the road neme list after the year 2001 as per section 24 (1) of the Prsdeshiya Sabha Act No 15 of 1987.	That, although 661 roads in 16 divisions had been surveyed by 19 January 2024, entered in the inventory by 05 March 2024, and that action will be taken to complete the maping activities thereof by 30 June 2024.	Actionon should be taken as per the Act.

3.3 Operational Inefficiencies

Audit Observation	Comments of trhe Council	Recommendation
(a) Violating the Building Line and without obtaining a Development License extraneous to the provisions in section 28(1) of the gazette notification No 2235/54 dated 08 July 2021 containing Plans and Development directions/regulations 2021 of the Urban Council, a two storyed commercial building of 168.67sq m.had been built in the place called Dematawalahena on the Urubokka Ginnaliya road within the town limits of the Council area, and in addition, no information had been presented to the auit to the effect that a Development License was obtained for 02 new buildings constructed.	Although it has been informed to the applicant to revise the plan due to non-complying with the conditions on account of not having the 50 ft limit, he has not revised and presented the plan so far.	Action should betaken as per the regulations.
(b) Although the Road Development Authority had informed to enter into a non-compensation agreement in respect of an application related to a resident commercial building constructed	That action will be taken in the future to approve that building plan subject to a non-compensation agreement, and a	Action should be taken to streamline the unauthorized counstructions.

within the 50 ft road reservation limit from the center of the Pasgoda Urubokka main road, construction had continued without taking required action. Further, although as per the building plan presented for obtaining approval, the size of the ground floor was 200.37 sq m. and a ground floor area covering 214.5 sq m. had been built non-complying with that plan.

fine will be levied for the change in the extent of the number of square feet in the ground floor after presenting a new plan,

- (c) 39 building applications had been approved within the limits of the Council's area from 2016 to 2019, and Certificates of Conformity had been obtained only 05 buildings even though 04 to 07 years had elapsed since Building Development Certificates have been granted. That represented 12 per cent of the approved number of building applications.

Since constructions had not been completed up to a level where Certificates of Conformity can be given, the number of persons seeking to obtain such certificates had decreased and action will be taken to increase the number of persons seeking to obtain the Certificates of Conformity. Certificates of Conformity should be obtained related to constructions.

3.4 Transactions of contentious nature

Audit Observation

Against a backdrop where there were no legal provisions made, a payment of Rs.76,200 had been made to an external party out of the Council's fund in the year under review for the purpose of providing transport facilities to 06 officers participating in an annual seminar.

Comments of the Council

That, subject to section 02 in chapter 25 of the Establishment Code and 05 other conditions, action has been taken based on the approval given by the Governor General Of Sothern Province to provide an amount to private busses equivalent to a free ticket for the participation of the seminar.

Recommendation

Action should be taken as per the Establishment Code, Financial Regulations and circular provisions.

3.5 Procurement management

	Audit Observqation -----	Comments of the Council -----	Recommendation -----
(a)	Although 18 procuremnt committee decisions valued at Rs.760,055 had been made during the period from 25 April to 16 November 2023, reports related to those decisions had not been signed and maintained as per 6.3.6 of the procurement guidelines 2006.	That action will be taken in future to report decisions in the procurement decisions book together with the signatures of the officers.	Action should be taken as per guidelines.
(b)	Although it had been mentioned that quotations had been received only from 02 persons of the 05 registered suppliers to whom letters calling quotations were referred for the purchase of 04 225/75/16PR tyres incurring Rs. 271,768, no information related thereto had been presented to the Audit.	That the file related to the purchase of tyres have been misplaced, and that the subject officers have been instructed to avoid such mistakes in the future.	Procurement activitiers should be carried out in a transparent manner.

3.6 Humman Resource Management

	Audit Observation -----	Comments of the Council -----	Recommendation- -----
(a)	A sum of Rs. 1,854,315 had been incurred out of the Council's Fund to pay salaries and allowences to three field labourers and a substitute health labourer by assigning other duties in place of . their usual duties	That the works related to driver and heavy machine opertator post were carried out by using three Field Labourers and their assistance was saught to help the works of the Sub-office at Bengamuwa as well,	Duties related to the posts should be assigned.
(b)	An unrecovered distress loan balance of of Rs. 152,611 prevailed from a longer period of time from two demised and retired employees.	That the loan amount of Rs. 9,663 of the demised employee has been referred to the Governer General for his approval and that the written intimation has been sent in respect of retired employee for the recovery of the relevant amount which is standing at Rs. 142,948 from responsible parties.	unrecovered loan balances of employees should be recovered forthwith..