

## **Pitabaddara Pradeshiya Sabha - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Pitabaddara 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 provisions of the National Audit Act No. 19 of 2018, Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987. 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 financial statements give a true and fair view of the financial position of the Pitabaddara 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**

I expressed qualified opinion 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 scepticism 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

National Audit Act, No. 19 of 2018 include 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) 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 on the preparation of Financial Statements

### 1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) At the end of the year under review, the investment account had been overstated by Rs.359,589 and the stamp duty income receivable was understated by Rs.2,602,900.	That will be corrected by the financial statements of the year 2024.	Action should be taken to properly accounted for.
(b) Interest receivable for 02 fixed deposit accounts amounting to Rs.360,206 and the value of the stock of sub-papers amounting to Rs.52,434 had not been accounted.	That will be corrected by the financial statements of the year 2024.	Action should be taken to properly accounted for.
(c) While removing inventory items of Rs.846,189 accounted under fixed assets through journal entries at the end of the year under review, The amount had been over-accounted for by adjusting the common stock to the accumulated fund.	That will be corrected by the financial statements of the year 2024.	Action should be taken to properly accounted for.
(d) 132 items worth Rs.255,903 in the form of inventory had been accounted for under timber and equipment.	That will be corrected by the financial statements of the year 2024.	Action should be taken to properly accounted for.
(e) Rs.511,192 spent on setting up store frames in the warehouse was not capitalized.	That will be corrected by the financial statements of the year 2024.	Action should be taken to properly accounted for.
(f) The receivables/payables for 02 constructions had been over-accounted by Rs.194,957.	That will be corrected by the financial statements of the year 2024.	Action should be taken to properly accounted for.

## 1.6.2 Non-reconciled Control Accounts or Records

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
There was a difference of Rs. 381,087 between the balances of the financial statements and the balances shown in the relevant documents/schedules related to 04 accounting subjects.	That will be corrected in the year 2024.	The differences in the respective balances should be compared and the accounts corrected.

## 1.6.3 Documentary Evidences not made available for Audit

<b>Audit Observations</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
13 account subjects amounting to a total of Rs. 14,922,052 could not be examined satisfactorily due to the non-submission of required information.	That the fixed asset register be updated and maintained in the year 2024	Evidence must be submitted to confirm the account balances shown in the financial statements.

## 1.7 Non- Compliances

### 1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

<b>Reference to Laws, Rules Regulations etc.</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Code of Finance Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 571	43 overdue public deposit balances amounting to Rs.950,391 had not been dealt with as per the Finance Regulations.	Action should be taken according to Finance Regulations.

## 2. Financial Review

### 2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December of year under review amounted to Rs.14,159,614 as compared with revenue over recurrent expenditure amounted to Rs.19,640,754 in the preceding year.

## 2.2 Revenue Administration

### 2.2.1 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)
Rates and Taxes }	1,696,000	1,763,365	2,564,981	898,713	1,687,000	1,500,829	1,700,085	1,700,329
Rent	23,048,240	17,098,748	16,848,183	2,959,362	23,053,480	18,802,283	18,542,216	2,708,797
License Fees }	1,155,100	1,182,576	1,147,176	106,922	1,155,100	1,525,768	1,525,768	71,522
Other revenue }	2,846,500	5,051,973	4,899,596	409,383	4,246,500	1,318,150	1,480,786	257,006
<b>Total</b>	<b>28,745,840</b>	<b>25,096,662</b>	<b>25,459,936</b>	<b>4,374,380</b>	<b>30,142,080</b>	<b>23,147,030</b>	<b>23,248,855</b>	<b>4,737,654</b>

### 2.2.2 Performance in Revenue Collection

	Audit Observation	Comments of the Sabha	Recommendation
(a)	At the end of the year under review, there was an outstanding balance of Rs.317,993 acre tax out of which the balance of Rs.309,006 remained uncollected for a long time.	That a letter dated 26 April 2024 has been sent to the Office of the Assistant Commissioner of Local Government to write off the long term arrears of Rs.309,006.	Arrears should be collected as soon possible.
(b)	The outstanding waste tax revenue was Rs.468,760 out of which Rs. 274,160 was the balance exceeding 03 years.	That the uncollected balance will be collected in the year 2024.property valuation on 27 October 2023.	Arrears should be collected as soon possible.
(c)	109 of the 121 shops in 11 places owned by the council had leased and Rs. 2,181,979 to be collected from 74 shops.	That the uncollected balance will be collected in the year 2024.	Arrears should be collected as soon possible.
(d)	Although between 01 and 23 years have passed since the agreements regarding 18 leased shop	That the contracts related to 24 shop room have expired, 19 shop room that were in	Action should be done according to the Circular.

rooms have expired, the agreements had not been updated or handed over to the council. arrears have been sued and 03 shop room are to be sued.

- (e) Court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities were Rs.1,049,598 and stamp duty was Rs.17,469,691. By the end of April 2024, stamp duty of Rs.10,173,842 and court fines of Rs.1,049,598 have been collected. Arrears should be collected as soon possible.

### 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 Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

Audit Observation	Comments of the Sabha	Recommendation
In 2013, a plot of land measuring 8.43 hectares in Wanasinghe Kanda Grama Niladhari Division was handed over to the council to start a compost project. And in the year 2015, a contract was signed with the restoration project implemented by the Central Environment Authority, but the project work had not started at the end of the year under review.	That the project report has to be submitted to the Local Government Department for allocating the necessary funds to start the construction work of the compost yard.	A formal waste management plan should be implemented.

#### 3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) In order to facilitate, make efficient the services provided to the public by all local government bodies and to collect revenue quickly, although the introduction of online systems is mandatory, a website has not been created for the sabha to facilitate payment.	That arrangements are being made to appoint a technical evaluation committee member to create a website.	Action should be done according to the Circular.

- (b) In the year 2019, the amount of biogas produced by the biogas unit which was constructed at the cost of Rs. 167,750 in the sabha premises is not consumed on a daily basis.  
That is currently being consumed. Performance and consumption should be maximized.  
The attention of the sabha had not focused on maximizing its performance and consumption.

### 3.3 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
05 buildings were being constructed within the urban area of the sabha area without a development licences and the sabha had not taken necessary measures in this regard.	That it was decided to take further action in the Planning Committee held on 08 May 2024.	Action should be done according to the Circular.

### 3.4 Defects in Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
(a) Rs.690,593 had been paid for the application of cylinders in 07 roads which had been excavate soil and developed in the last year and the contractor was overpaid Rs.171,584 due to not using the prescribed rates.	The rates ST-068, ST-069, ST-070 and ST-071 introduced by the Southern Provincial Road Development Authority for laying cylinders had not been included Excavation of soil, transportation of cylinders, loading and unloading of cylinders, crushing of cylinders after laying of cylinders, etc. And also for preparing estimates and bills using rates the Southern Province Irrigation Department in the first half of the year 2022 and that no separate payment has been made for the above 04 task	Appropriate rates should be used.
(b) In paying for the preparation of road side drains on 04 roads using PC-30 type excavators, Instead of the DR-005A rate introduced by the Southern Provincial Road Development	That the drains of Virasekara Kanda Road, Aluvana Kanda Road, Watadeniwala Road have been done by human labour, and a PC-30 type excavator machine	Appropriate rates should be used.

Authority, the contractors were overpaid an amount of Rs.91,091 because they had used the DR-001 rate introduced to perform the work using human labour.

is used for levelling the road and draining only at the wider places of the Siyambalagoda road through Wanasingkanda. Further remaining amounts are done by human labour.

- (c) The contractor was paid Rs.224,704 for the construction of the security door in front of the sabha instead of making the door frames and louvers using Aluminium Bronze Anodized aluminium frames.
- As the difference between the amount of Rs.224,704.30 paid for Powder coated Aluminium and the amount of Rs.212,472.43 to be paid for Aluminium Bronze Anodized, the overpaid amount of Rs.12,232 will be deducted from the refund by retain.
- Correct rates should be used.
- (d) According to the work description of the industry for the construction of the roof of the sabha's car wash yard, the contractor was paid Rs.222,689 for the preparation of the wood coating while it had not been done.
- Since the retain related to this industry have not been released, the retain will be released after getting the contractor to apply protective coating to the wood.
- Payments should be made only for completed work.
- (e) Although estimates worth Rs.12,474,726 were prepared on 08 occasions from the year 2019 to the reviewed year for the construction of the upper floor of the local council building and contracts were awarded to a private contractor and approved societies for a contracted amount of Rs.10,936,007. The construction of the upper floor of the building had not completed by 24, January 2024 due to the fact that the construction was planned to cover all the work on the upper floor and a total cost estimate was prepared, taking into account the existing provisions, the priority of the work to be accomplished was not carried out.
- Audit observations are accepted.
- All tasks should be identified and total cost estimates prepared and contracts executed.



### 3.5 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
(a) The debt balance amounting to Rs.111,313 due to 05 officers who retired and left the service between 2011 and 2023 after serving in the sabha remained uncollected.	That will be corrected in the year 2024.	Action should be made to settle the loan balance.
(b) During the year under review, 12 primary grade workers employed by the sabha were assigned duties unrelated to the position and were paid an amount of Rs.5,464,122 from the council fund.	That duties are assigned based on service requirements.	Duties related to the position should be assigned.