

Pointpedro Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Pointpedro Pradeshiya Sabha for the year ended 31 December 2023 comprising the balance sheet as at 31 December 2023 and income and expenditure account 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 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 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 Pointpedro 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

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 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 Sub 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 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.

- 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.
- 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 Observations	Comment of the Sabhas	Recommendations
(a) Estimated cost of 14 unfinished constructions works amounting to Rs.6,683,797 had been accounted as creditors.	Part payments of 70% for completed works had been made.	Accounts should be properly prepared.
(b) The value of 06 computers amounting to Rs.1,543,740 which was double calculated and shown in the financial statements.	It will be rectified in the final accounts for the year 2024.	Financial statements should be prepared accurately.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs.3,509,316 between the ledger balance as at 31 December 2023 of 02 fixed asset items and the balance on that date in the financial statements.	It will be rectified by appointing an appropriate committee.	The balances in the financial statements should be reconciled with the relevant source documents.

1.7 Non-compliances

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

Reference to Laws, Rules and Regulation	Non-compliance	Comment of the Sabha	Recommendation
Section 134 of the Pradeshiya Sabhas Act No. 15 of 1987	K form had not been issued for 7,560 properties that are to be rocovered assessment tax by the Sabha in the year under review.	As the property owners are residing abroad and in other areas, it was not possible to issue those forms.	Action should be taken according to the provisions of the Act.

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 2023 amounted to Rs. 53,864,370 as compared with the excess of revenue over recurrent expenditure amounted to Rs.32,264,434 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 Sabha, information relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Source of Revenue	2023				2022			
	Estimated Revenue	Revenue billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	650,269	707,437	650,269	1,224,171	1,103,000	79,087	22,931	1,167,003
Rent	10,727,840	11,110,974	11,143,663	148,015	8,264,800	8,412,529	9,493,795	180,704
License Fees	2,074,534	2,131,534	2,136,534	-	1,480,000	1,781,984	1,776,984	5,000
Other revenue	58,884,117	66,089,045	65,240,123	3,505,665	49,082,982	50,787,415	46,912,512	2,656,743
Total	<u>72,336,760</u>	<u>80,038,990</u>	<u>79,170,589</u>	<u>4,877,851</u>	<u>59,930,782</u>	<u>61,061,015</u>	<u>58,206,222</u>	<u>4,009,450</u>
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2.2.2 Performance in Revenue Collection

Audit Observation	Comment of the Sabha	Recommendation
Arrears of assessment tax of Rs.1,224,171 as at the end of the year under review and stall lease of Rs.114,359 which was more than 05 years had not been recovered till now.	Actions have been taken to collect arrears of assessment tax and exempt lease rents.	Actions should be taken to recover arrears of revenue promptly.

3. Operating Review

3.1 Management Inefficiency

Audit Observation	Comment of the Sabha	Recommendation
A project completed for tourists in the Manalkadu area in 2016 at a cost of Rs.2,805,443 had been completely abandoned.	It had been abandoned due to absence of tourists.	There should be adequate return for the money spent.

3.2 Operating Inefficiency

Audit Observation	Comment of the Sabha	Recommendation
Although 2,729,740 liters of drinking water had been distributed to the public, the quality of the water was not certified as suitable for use as drinking water.	Drinking water is distributed according to the periodic tests of drinking water samples conducted by the Public Health Inspector.	Actions should be taken to obtain quality assurance for distributed drinking water.

3.3 Assets Management

Audit Observations	Comment of the Sabhas	Recommendations
(a) The ownership of 05 vehicles being used by the Sabha and the land where 05 markets, 02 stalls, 05 offices, 02 slaughterhouses, 06 public wells and 38 cemeteries are located had not been transferred to the Sabha.	The ownership will be acquired.	The ownership of assets should be settled.

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| (b) | Thirteen buildings had been constructed at a cost of Rs.11,258,238 on land not owned by the Sabha in contrary to the paragraph 1.1 of the Finance Commission Circular No. 2016/01 dated 30 December 2015. | A letter have been sent to the Divisional Secretary requesting map for acquisition and assessment. | The ownership of assets should be settled. |
| (c) | Three market stalls built for the purpose of lease out on a long-term basis remained unused for 06 years. | Bids were invited on several occasions for the lease but no one came forward. | Actions should be taken to fully utilize the sources of revenue of the Sabha. |

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

Due to the fact that there were variations from 18 per cent to 33 per cent in 02 revenue items, from 17 per cent to 100 per cent in 07 expenditure items and 30 per cent in one capital expenditure items when comparing the estimated revenue and expenditure with the actual revenue and expenditure according to the budget prepared for the year under review, the budget had not been used as an effective management control tool.

Comment of the Sabha

Those deficiencies will be rectified in the future and an effective budget will be prepared.

Recommendation

Needs should be identified and the budget should be prepared carefully.