

Imbulpe Pradeshiya - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Imbulpe 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 performance, cash flow statement, statement of changes in equity and the summary of other explanatory information significant accounting policies, 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 Sabha 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 accompanying financial statements give a true and fair view of the financial position of the Imbulpe 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

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 (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 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.

1.4 Audit Scope (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:

- 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 Pradeshiya Sabha'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.

- 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 Observation	Comments of the Council	Recommendation
(a) Two (02) development projects totaling to Rs.305,010 and the sound control system had not been capitalized. Moreover, accrued expenses amounting to Rs.86,422 had not been accounted.	This will be corrected by the final account of the year 2024.	It should be corrected.
(b) Due to incorrect debits and credits, the balance of the accumulated fund as at 31 December 2023 had been overstated by Rs.54,278,046.	-Do-	-Do-
(c) There was a difference of Rs.1,943,164 between the balances according to the financial statements and the balances according to the subsidiary documents at the end of the year under review in relation to 03 accounting subjects.	Action is being taken to identify and balance the difference.	Should be solved the difference.

1.6.2 Written Evidences not made Available for Audit

Audit Observation	Comments of the Council	Recommendation
Detailed schedules had not been submitted for 03 account items totaling to Rs.96,818,228.	Will be persented in the future.	Schedules should be prepared.

1.7 Non-compliance

Non-compliance with Laws, Rules, Regulations and Management Decisions

Audit Observation	Comments of the Council	Recommendation
One hundred and eleven advances totalling to Rs.4,630,332 provided from the year 2002 to the year 2020 had not been settled in terms of Financial Regulation 371 (5).	Action will be taken to write off the advances, which have no information and to recover the other advances.	Action should be taken according to the Financial Regulations.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, revenue of the Council that had exceeded the recurrent expenditure for the year ended 31 December 2023 had been Rs.10,680,873 and in corresponding to that, revenue of the Council that had exceeded the recurrent expenditure in the previous year had been Rs.3,147,407.

2.2 Revenue Administration

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

According to the information presented by the Secretary, the estimated revenue, billed revenue, collected revenue and revenue arrears related to the year under review and to the previous year are mentioned below.

Revenue Source	<u>2023</u>				<u>2022</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Deficit as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Deficit as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
Rates and Taxes	2,958,337	1,047,965	1,126,452	97,516	2,908,337	859,515	863,702	160,622
Rents	5,115,480	4,537,460	4,544,640	638,375	4,375,480	3,211,450	2,744,860	493,180
License Charges	1,851,000	1,112,976	1,097,776	15,200	1,831,000	588,026	588,026	-
Other Revenue	<u>8,200,000</u>	<u>8,644,414</u>	<u>10,239,619</u>	<u>7,168,690</u>	<u>12,706,800</u>	<u>10,008,078</u>	<u>52,318,480</u>	<u>8,721,859</u>
	<u>18,124,817</u>	<u>15,342,815</u>	<u>17,008,487</u>	<u>7,919,781</u>	<u>21,821,617</u>	<u>14,667,069</u>	<u>56,515,068</u>	<u>9,375,661</u>

2.2.2 Performance in the Collection of Revenue

	Audit Observation	Comments of the Council	Recommendation
(a)	There had been an outstanding acre tax balance amounting to Rs.72,358, which had been older for more than 03 years.	Action will be taken to write off the taxes that cannot be collected.	Revenue should be collected promptly.
(b)	Water supplied to 2209 consumers had not been tested for potability. One hundred and forty-five water metres used remained non operational and water charges in arrears amounting to Rs.5,316,619 has to be recovered by 31 March 2024.	Action has been taken to do the inspection. Non operational metres are being repaired. Conducting mobile programmes and disconnecting water connections are being done to recover arrears.	Relevant inspections should be carried out and arrears charges should be recovered.
(c)	Assessment tax had not been charged from 783 family units residing in zones identified as developed areas in the year 2018.	Action will be taken to implement it in the future.	Revenue should be collected promptly.

3. Operational Review

3.1 Not achieving the Desired Level of Output

Audit Observation	Comments of the Council	Recommendation
Even though a sum of Rs.4,561,397 had been incurred for the development of Pambahinna weekly fair by the year 2017, the amount incurred had been an idle expense as the fair had not been developed in a manner that it was appropriate to conduct the weekly fair.	The remaining development work could not be carried out due to non-availability of provision.	An adequate return should be obtained for the money incurred.

3.2 Informal Transactions

Audit Observation	Comments of the Council	Recommendation
(a) Fees amounting to Rs.800,000 charged for the years of 2022 and 2023 from children of 02 pre-schools had not been credited to the fund of the Sabha. However, monthly allowances amounting to Rs.12,000 each had been paid to the matrons of those pre-schools, and all the maintenance activities had been carried out by the Sabha.	Since the Council had no sufficient funds, other maintenance activities of them have been carried out by the pre-school. Money has been charged for that, and it was not a monthly charge.	A false answer. Monthly charges amounting to Rs.1,000 each is charged. Fees charged from children must be credited to the Council Fund.
(b) Action has not yet been taken to confirm the provisional approval given for 05 transmission towers from the year 2021 to the year 2023 and advance fees had been under charged by Rs.376,000.	These institutions have been informed by letters.	Arrangements should be made to formalize the approvals and charge the advance fees in arrears.
(c) As provision made amounting to Rs.50,000 had been incurred wrongly, the money had not been settled by the Provincial Sabha.	The Commissioner of Local Government has been requested to conduct an investigation in this regard in terms of Financial Regulations 104.	Action should be taken in terms of the Financial Regulations.

3.3 Idle or Underutilized Assets

Audit Observation

The Galagama multi-purpose building, which had been built at a cost of Rs.42 million under Pura Neguma project and transferred to the Sabha in the year 2016, remained idle even by the end of the year under review.

Comments of the Council

Discussions are being held to use this building as an income generating source.

Recommendation

Assets should not be left unused.

3.4 Deficiencies in Contract Administration

Audit Observation

- (a) The Divisional Secretary of Imbulpe had informed in May 2023 that the amount paid could not be reimbursed because the development work was incomplete and the amount was credited to the government revenue although a sum of Rs.176,400 had been paid for the development of a playground in the year 2014 based on the reports of the technical officer,
- (b) Although Rs.268,650 had been paid as advances from the Council Fund for an industry carried out on the allocations of the Sabaragamuwa Provincial Council, the money had not been reimbursed even by the end of the year under review.

Comments of the Council

Assistant Commissioner of Local Government in Ratnapura District has been informed to conduct an investigation for this.

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Recommendation

An investigation should be conducted and the responsibility should be determined.

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3.5 Management of the Fleet of Vehicles

Audit Observation

A tractor that had been handed over for repairs in the year 2021 remained in the garage without carrying out any repairs even by November 2023.

Comments of the Council

That tractor has not been repaired. Arrangements have been made to give it to Embilipitiya Urban Council.

Recommendation

Assets should not be left unused.