

Katharagama Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Katharagama 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, 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 provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to parliament appear in this report.

I do not express an opinion on the financial statements of the Katharagama Pradeshiya Sabha. Because of the significance of the matters described in paragraph 1.6 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for disclaimer of opinion

I expressed Disclaimer of opinion on the matters described in paragraph 1.6 of this report.

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 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 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 has not been included 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 Sabha -----	Recommendation -----
(a) The value of 04 industries of which work was completed by the Pradeshiya sabha during the year under review amounting to Rs.3,806,906 had not been capitalized under land and buildings.	When preparing the financial statements for the year 2024, it will be recorded under land and buildings.	The value of all assets owned by the Sabha should be recognized and accounted for.
(b) According to the fixed assets register, the value of 15 units of equipment amounting to Rs.951,737 had not been capitalized under property plant and equipment.	When preparing the financial statements for the year 2024, it will be capitalized under Property plan and equipment.	The value of all assets owned by the Sabha should be recognized and accounted for.

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| <p>(c) As per the fixed assets register, the equipment value was Rs.1,501,703, but in the statement of financial position, it was overstated by Rs.590,168 as Rs.2,091,871.</p> | <p>The officer-in-charge has been informed to update the fixed asset register.</p> | <p>Accurate values should be included in the financial statements.</p> |
| <p>(d) According to the court fine register, the court fine income related to the year under review of Rs.2,190,158 and the court fines due on December 31 of the year under review of Rs.1,721,496 had been understated.</p> | <p>From the year 2024, documents and schedules will be prepared and submitted on a monthly basis.</p> | <p>The value of all assets owned by the Sabha should be recognized and accounted for.</p> |
| <p>(e), Although the assessment tax income in the year under review was Rs.6,263,051, it had been understated by Rs.4,021,420 in the statement of financial operations as Rs.2,241,631.</p> | <p>That the officers-in-charge have been informed to correct this in future and update the revenue documents correctly.</p> | <p>The value of all income of the Sabha should be correctly recognized and accounted for.</p> |
| <p>(f) As on 31st December of the year under review, the outstanding public market rent value was Rs.13,967,867 but it was accounted for as Rs.10,037,825 in the statement of financial position then it had been understate by Rs.3,930,042 less.</p> | <p>That, the officers-in-charge have been informed to correct this in future and update the revenue documents correctly.</p> | <p>The value of all income of the Sabha should be correctly recognized and accounted for.</p> |
| <p>(g) Adjustments related to unrecognized receipts of Rs.297,417 and reimbursement of withholding tax of Rs.23,509 included in the bank statement prepared as on 31st December of the year under review, were not made in the financial statements.</p> | <p>That this mistake will be promptly corrected.</p> | <p>Unrecognized revenue should be recognized and accounted for.</p> |

- (h) According to the schedule of expenses payables/creditors presented with the financial statements, although the expenses payables/creditors were Rs.1,707,970, there was a difference of Rs.1,577,813 since it has been presented as Rs.130,157 in the statement of financial position. That the Officer-in-Charge has been informed to update the creditor register promptly. Control accounts and documents should be reconciled when preparing financial statements.
- (i) According to the prepayment document submitted with the financial statements, the prepayment balance for the year under review was Rs.47,039, but it was Rs.182,566 in the statement of financial position, so there was a difference of Rs.135,527. That the officer-in-charge has been informed to update the prepayment document promptly. Control accounts and documents should be reconciled when preparing financial statements.
- (j) Even though the financial statements disclosed that accounting was done based on the accrual concept, revenue and expenditure had been accounted for on a cash basis, In preparing the 2024 financial statements, revenue and expenses will be accounted for based on the accrual concept. Accounts should be prepared on accrual basis.
- (k) 15 lawsuits filed by the Sabha against external parties had not been disclosed in the financial statements. In preparing the 2024 financial statements, relevant disclosures will be made. Relevant disclosures should be made in the financial statements.
- (l) 09 buildings worth Rs.490,000 which were demolished in the years 2020 and 2021 had not been removed from the financial statements. It will be corrected, in preparing the 2024 financial statements should be prepared correctly.

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| <p>(m) Although Billings related to parking tax revenue in the year under review was Rs.24,399,228, it had been understated by Rs. 21,258,927 as it had been accounted for Rs. 3,140,301 in the statement of financial operations.</p> | <p>That the officers in charge have been informed to correct this in future and update the revenue documents correctly.</p> | <p>All revenues of the Sabha should be accurately identified and accounted for.</p> |
| <p>(n) According to the information presented by the Sabha, as of December 31 of the year under review, the arrear tax income of the vehicle park was Rs. 22,953,719, but it was understated by Rs. 5,474,494 as it had been accounted as Rs. 17,479,225,</p> | <p>That the officers in charge have been informed to correct this in future and update the revenue documents correctly.</p> | <p>All revenues of the Sabha should be accurately identified and accounted for.</p> |
| <p>(o) According to the billing related to the lease of weekly fair as of December 31 of the year under review, the balance was Rs. 3,379,020, but it was understated by Rs. 1,255,850 since it had been accounted as Rs. 2,123,170</p> | <p>That the officers in charge have been informed to correct this in future and update the revenue documents correctly.</p> | <p>All revenues of the Sabha should be accurately identified and accounted for.</p> |
| <p>(s) According to the information presented by the sabha, as on December 31 of the year under review, the outstanding weekly fair income is Rs.1,303,252, but it was understated by Rs. 1,757,847 as it had been accounted as a deficiency of Rs. (454,595).</p> | <p>That the officers in charge have been informed to correct this in future and update the revenue documents correctly.</p> | <p>All revenues of the Sabha should be accurately identified and accounted for.</p> |
| <p>(p) As on December 31 of the year under review, as per the billing of public toilet lease fees, the balance was Rs.3,451,350, but it was overstated by Rs.1,116,574 as it had been accounted as Rs. 4,567,924.</p> | <p>That the officers in charge have been informed to correct this in future and update the revenue documents correctly.</p> | <p>All revenues of the Sabha should be accurately identified and accounted for.</p> |

<p>(q) Although the billing balance related to Kanda Surindugama shop lease in the year under review was Rs.154,800, it was accounted as Rs.26,200 and understated by Rs.128,600.</p>	<p>That the officers in charge have been informed to correct this in future and update the revenue documents correctly.</p>	<p>All revenues of the Sabha should be accurately identified and accounted for.</p>
<p>(r) In the year under review, the billing balance related to the lease of hopper shops, florists, public market shops and parking stalls was Rs.4,694,400, but it was accounted as Rs.514,100 and understated by Rs.4,180,300.</p>	<p>That the officers in charge have been informed to correct this in future and update the revenue documents correctly.</p>	<p>All revenues of the Sabha should be accurately identified and accounted for.</p>
<p>(s) The equipment worth Rs.81,700 purchased by the Sabha during the year under review was not capitalized under property plant and equipment.</p>	<p>In the year 2024, it will be capitalized, under the property plant and equipment.</p>	<p>The value of all assets owned by the Sabha should be correctly recognized and accounted for.</p>

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
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<p>(a) According to the assessment tax computer software system, the balance of assessment tax receivable as on December 31 of the year under review was Rs.18,273,583, but it was Rs.14,649,036 in the statement of financial position, hence there was a difference of Rs.3,624,547</p>	<p>That the officers in charge have been informed to correct this in future and update the revenue documents correctly</p>	<p>Control accounts and documents should be reconciled when preparing financial statements.</p>

(b) According to the stamp duty register, the stamp duty billing for the year under review was Rs.1,391,833, but it was Rs.2,105,870 in the statement of financial operations, hence there was a difference of Rs.714,037. That the officers in charge have been informed to correct this in future and update the revenue documents correctly. Control accounts and documents should be reconciled when preparing financial statements.

(c) According to the stamp duty register, the stamp duty income due on December 31 of the year under review was Rs.2,075,199, but there was a difference of Rs.2,246,166 as Rs.4,321,365 in the statement of financial position. That the officers in charge have been informed to correct this in future and update the revenue documents correctly. Control accounts and documents should be reconciled when preparing financial statements.

1.6.3 Documentary Evidences not made available for Audit.

Audit Observation	Comments of the Sabha	Recommendation
<p>-----</p> <p>Due to non-submission of Title Deeds, Valuation Reports, Fixed Asset Register, Schedules, Updated Stock Register, Board of Survey Reports, Updated Arrears Income Register, Updated Creditor Register updated deposit register, related to 15 asset subjects and 08 liability subjects valued at Rs.410,443,659 could not be satisfactorily verified during audit.</p>	<p>-----</p> <p>The subject officers have been informed to properly assess the assets owned by the Sabha and to promptly and correctly update other schedules including fixed assets registry.</p>	<p>-----</p> <p>Evidence should be submitted to confirm the account balances shown in the financial statements.</p>

1.5 Non- Compliances

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

Non-compliance with Laws, Rules, Regulations and Management Decisions etc. are as follows

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
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(a) No. 15 of 1987 Pradeshiya Sabha Act Section 24(1) (a).	319 roads included in the road inventory maintained by the sabha had not been gazetted.	That it will be published in the road Gazette in the year 2024.	Road inventory should be updated and gazetted.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 104(4)	The Crew cab belonging to the Pradeshiya Sabha got into an accident on March 30, 2022 and a full report was not obtained in this regard.	The preliminary report has been forwarded to the Assistant Commissioner of Local Government and after approval; the full report will be taken.	Financial regulations should be followed
(ii) Financial Regulation 396	17 out-dated cheques with a total value of Rs.157,056 had not been dealt with, as per Financial regulations.	The relevant parties have been informed and if no reply is received, it will be taken into the government's revenue.	Financial regulations should be followed
(c) Circular No. 30/2016 of the Secretary, Ministry of Public Administration and Management and dated 29 December 2016, paragraph 3.1	In respect of 13 vehicles, the fuel combustion test had not been done.	That, the fuel combustion test will be done in the future.	It should be complied with circulars.
(d) Section 83(1) of the Urban Development Authority Act No. 41 of 1978;	Out of 235 building plans that were approved from 2017 to 2019, 225 plans were not inspected and certificate of conformity were not issued.	That, the relevant parties have been informed to obtain compliance certificates.	Construction of buildings in the Sabha area of authority should be regulated.

(e) Planning Circular No. 15 dated 18 November 1993 of the Chairman of the Urban Development Authority	It was observed that the funds received under the Urban Development Authority without complying with the circular has been kept in the same account maintained by the local sabha and expenses were incurred, hence there is a risk of using particular funds for other purposes.	That the subject officer has been informed to open a separate account as per the circular.	It should be complied with Circulars
(f) Public Administration Circular No. 01/2002 dated February 25, 2002.	The state emblem and the name of the institution had not been printed in 07 vehicles owned by the sabha,	That the state emblem and the name of the institution will be printed on the vehicles as soon as possible.	It should be complied with Circulars
(g) Circular dated 17th August, 2010 of the Secretary, Ministry of Power and Energy.	It had not been contracted with Ceylon Electricity Board regarding street lighting.	That, they will work to enter into an agreement with the Ceylon Electricity Board in the future.	It should be complied with Circulars
(U) Treasury Secretary's Asset Management Circular No. 05/2020 dated 02 October 2020.	05 vehicles remained idle for a period of 06 months to 03 years without repair.	That, action will be taken to repair these vehicles in the future.	It should be complied with Circulars

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 the current year amounted to Rs. 4,944,418 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 11,925,420 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 Secretary of the Sabha 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.

		2023				2022			
Source of Revenue		Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
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		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	9,216,382	6,263,052	2,272,834	3,900,088	9,210,807	6,263,051	1,582,320	4,590,865
(ii)	Rent	18,374,300	3,208,680	338,800	2,869,880	18,263,500	4,539,000	557,475	3,980,025
(iii)	License Fees	2,230,500	1,560,650	1,560,650	-	2,230,500	841,350	841,350	-
(iv)	Other revenue	19,319,125	10,298,988	10,298,988	-	19,214,125	14,682,743	14,682,743	-
	Total	49,140,307	21,331,370	14,471,272	6,769,968	48,918,932	26,326,144	17,663,888	8,570,890

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Sabha are given below.

Audit Observation**Comments of the Sabha****Recommendation****Rates and Taxes**

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| <p>(a) Out of the assessment tax revenue of Rs.6,263,052 billed in the year under review, Rs.3,990,217 or 64 percent had not been collected as on December 31, 2023.</p> | <p>The arrears of assessment will be recovered in the future.</p> | <p>Billed revenue should be collected.</p> |
| <p>(b) Out of the outstanding assessment tax revenue of Rs.17,987,143 at the beginning of the year under review, Rs.14,283,366 or 79 percent had not been recovered by the end of the year under review.</p> | <p>Action will be taken to recover the arrears of assessment promptly.</p> | <p>Assessment in arrears should be recovered promptly.</p> |
| <p>(c) Out of the tender property lease income of Rs.19,824,598 billed in the year under review, Rs.13,588,823 or 69 percent was to be recovered by the end of the year under review.</p> | <p>The arrears will be recovered in the future.</p> | <p>Billed revenue should be collected.</p> |
| <p>(d) Out of the outstanding tender property tax revenue of Rs.15,641,245 at the beginning of the year under review, Rs.15,608,425 or 99 percent had not been collected by the end of the year under review.</p> | <p>Cases have been filed against 15 lessees, and action is being taken to recover the arrears.</p> | <p>Revenue in arrears should be recovered promptly.</p> |

Rent

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| <p>(a) Out of the Rs.5,366,667 billed shop rental income in the year under review, Rs.4,918,567 or 92 percent had not been recovered as on 31 December 2023.</p> | <p>The arrears will be recovered in the future.</p> | <p>Action should be taken to collect billed revenue</p> |
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(b) Out of the arrear rent income of Rs.11,293,025 at the beginning of the year under review, Rs.9,615,415 or 85 percent had not been recovered by the end of the year under review.

Initial legal action has been taken against shopkeepers with rent arrears.

Revenue in arrears should be recovered promptly.

Other Revenue

(a) The rent of Rs. 1,002,650 due for the year under review and for the previous years for the billboards displayed by 24 institutions in the area of authority, had not been recovered by December 31 of the year under review.

That, the relevant parties have been informed to pay the arrears promptly.

Action should be taken to recover the income during the relevant year.

(b) During the year under review, Rs.95,000 due for hire of motor grader remained outstanding.

That, the relevant institutions will be informed and the arrears of rent will be recovered promptly.

Action should be taken to collect billed revenue

(c)The telephone transmission tower fee income of Rs.60,000 due for the period 2020-2023 had not been collected by December 31 of the year under review.

The concerned parties have been informed in writing and the arrears will be recovered promptly.

Revenue in arrears should be recovered promptly.

(d) Court fines of Rs.289,497 and stamp duty of Rs.1,796,925 which were due on December 31 of the year under review were not collected.

That, the relevant institutions have been informed to collect court fines and stamp duty.

Revenue in arrears should be recovered promptly.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation -----	Comments of the Management -----	Recommendation -----
a) According to Section 10 of the Employees' Provident Fund Act No. 15 of 1958, a surcharge of Rs.247,950 for non-payment of employee's provident fund contributions for the period from January 2001 to December 2016 for 04 employees and the amount of Rs. 198,360, which was the 08 percent contribution to be charged from the employee related to that period, had been paid from the Sabha fund.	As per the decision of case No. 54627, the surcharge has been paid.	The responsible parties should be identified and the relevant surcharges should be collected.
(b) A surcharge of Rs.380,710 was paid from the Sabha fund due to non-payment of 03 percent contribution to the Employees' Trust Fund No. 46 of 1980 from May 2016 to December 2022.	That, this amount has been paid as per the letter of the Manager of the Employees' Trust Fund Board.	The responsible parties should be identified and the relevant surcharges should be collected.
(c) In the years 2019-2021, 10 receipts books worth Rs. 55,000 were issued for non-officers, but had not been received by the Sabha by May 8, 2024.	That, legal action has been taken against one of the parties, and the receipts books and money are being procured from the other parties.	Relevant money or receipt books should be collected by the Sabha.
(d) 200 plastic chairs and 50 dining table chairs purchased in the year 2018 were not submitted to the audit during the physical inspection.	That an immediate investigation will be carried on and the related goods will be obtained from the responsible parties.	The responsible parties should be identified and the respective losses should be recovered.

<p>(e) 10 plastic water tanks received as donations in January 2021 were not included in the inventory and were not physically available.</p>	<p>That an immediate investigation will be carried on and the related goods will be obtained from the responsible parties.</p>	<p>The responsible parties should be identified and the respective losses should be recovered.</p>
<p>(f) The dining table which was purchased for the rest house in the year 2019 for Rs. 28,000 was missing and no investigation was done in this regard.</p>	<p>That an immediate investigation will be carried on and the related goods will be obtained from the responsible parties.</p>	<p>The responsible parties should be identified and the respective losses should be recovered.</p>
<p>(g) No action was taken in relation to 1146 units of goods belonging to 65 categories whose value could not be determined, which were identified as deficient goods in the board of survey 2023.</p>	<p>Regarding several deficient items, the responsible officials have been identified and actions are being taken to get them back.</p>	<p>The responsible parties should be identified and the respective losses should be recovered.</p>
<p>(h) The value of 55 lands belonging to the Sabha had not been assessed and accounted for.</p>	<p>That the ownership of the lands will be taken over by the Sabha and a professional valuation will be done and the value accounted for.</p>	<p>The value of all assets owned by the Sabha should be identified and accounted for.</p>
<p>(e) The value of 05 plastic water tanks and a tablet received as donations to the Sabha during the year under review was not assessed and accounted for.</p>	<p>That, the value will be assessed and accounted for in the year 2024.</p>	<p>The value of all assets received by the Sabha should be recognized and accounted for.</p>

3.3 Operational Inefficiencies

Audit Observation -----	Comments of the Management -----	Recommendation -----
<p>(a) Although the Sabha had identified the developed areas at last in the year 2012, the attention of the Sabha was not focused on expanding the taxable areas and the assessment of assessment tax was not renewed after the year 2012.</p>	<p>In order to expand the developed areas, mapping of these areas has been completed.</p>	<p>In due course, developed areas should be identified and assessment tax levied.</p>

<p>(b) Although 150 stalls owned by the Sabha were leased, there was no agreement had been entered upon with the shopkeepers.</p>	<p>That they have been informed in order to enter into agreements with the shopkeepers as soon as possible.</p>	<p>When leasing property owned by the sabha, the agreement should be entered with the lessee.</p>
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3.4 Assets Management

Audit Observation	Comments of the Management	Recommendation
<p>(a) Although the Certificate of registration of the cab owned by the Pradeshiya Sabha had the engine number 4M40UAC8154, the engine number of the vehicle was mentioned as 4M40AH8031.</p>	<p>That, the new engine has been prepared subject to the recommendation of the Provincial Mechanical Director, and the new engine number will be included in the registration certificate in the future.</p>	<p>The vehicles owned by the Sabha should be used and managed properly.</p>
<p>(b) Although 1 to 23 years had passed since 07 vehicles were received to Sabha which is using by the Sabha, the legal ownership of those vehicles had not been transferred to the Sabha.</p>	<p>Two vehicles do not have registration certificates and the remaining vehicles are being taken over to the local sabha.</p>	<p>The legal ownership of assets owned by the Sabha should be taken over.</p>

3.5 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
<p>(a) As on December 31 of the year under review, there was a vacancy of 34 employees in respect of 13 positions in the Sabha as per the approved staff and those vacancies had not been filled.</p>	<p>That, the local government department is informed about these staff vacancies on a monthly basis.</p>	<p>Staff vacancies should be filled.</p>

(b) The outstanding loan balance of Rs.244,487, Rs.451,702 and Rs.57,587 to be collected from 05 employees who died and retired from the service of the Pradeshiya Sabha, 15 employees who left and were suspended and 05 employees who were transferred respectively remained unpaid for more than a year.

That, in the year 2024, these outstanding loan balances will be recovered.

Outstanding loan balances should be recovered promptly.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation

Comments of the Management

Recommendation

According to Section 40 of the National Audit Act No. 19 of 2018, no internal audit was conducted in the Sabha in relation to the year under review.

That, an internal audit will be conducted in the year 2024.

The internal audit work of the Sabha should be implemented on time.

4.2 Audit and Management committee

Audit Observation

Comments of the Management

Recommendation

In accordance with Section 41 of the National Audit Act No. 19 of 2018 and Internal Audit Guidelines Circular No. DMA/01-2019 of the Management Audit Department dated January 12, 2019, no audit and management committees were held for the year under review.

That, an audit and management committee has been held on August 25, 2023.

Audit and Management Committees shall be conducted as per guidelines and circular provisions.

4.3 Budgetary control

Audit Observation

When comparing the estimated income and expenditure according to the budget document prepared by the local sabha for the year under review with the actual income and expenditure of the year, there were variations from 28 percent to 81 percent in 08 income subjects and 34 percent to 207 percent in 07 expenditure subjects. Thus, it was observed that the budget was not used as an effective control tool.

Comments of the Management

That, the budget is used as an effective control tool so that variations are minimized.

Recommendation

Annual budget estimates should be prepared more realistically and Action should be taken towards achieving those targets.

4.4 Sustainable development goals

Audit Observation

Although the Sabha was aware of the United Nations' "Sustainable Development Agenda 2030", indicators for measuring sustainable development goals and targets were not identified.

Comments of the Management

Action will be taken to identify indicators for measuring sustainable development goals and objectives.

Recommendation

Indicators to measure sustainable development goals and targets should be identified