

Siyambalanduwa Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Siyambalanduwa Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and 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.

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 Siyambalanduwa 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 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 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 Sabha	Recommendation
<p>-----</p> <p>(a) As of December 31 of the year under review, there was no cash balance and payable balance according to the ledger accounts related to the Regional Development Assistance Project, but the statement of financial position has shown a cash balance and payable balance of Rs.3,953,604.</p>	<p>-----</p> <p>It will be corrected in the preparation of financial statements for the year 2024.</p>	<p>-----</p> <p>Financial statements should be prepared accurately.</p>

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| <p>(b) Although the amount of stamp duty payable as on December 31 of the year under review is Rs.170,198 as per the Public Deposit registry, it was not included in the statement of financial position.</p> | <p>It will be corrected in the preparation of financial statements for the year 2024.</p> | <p>Financial statements should be prepared accurately.</p> |
| <p>(c) As per the stock register as on 31st December of the year under review, the remaining stock of street lamps was Rs. 310,174 but in the statement of financial position, the remaining stock was over accounted as Rs.543,172 by Rs.232,998</p> | <p>It will be corrected in the preparation of financial statements for the year 2024.</p> | <p>Stock balance should be calculated correctly.</p> |
| <p>(d) The value of 05 industries of Rs.3,562,734 whose work was completed during the year under review was not accounted under land and buildings in the statement of financial position, and although the work value of 02 industries completed in previous years and the reviewed year was Rs. 54,717,294,it was over-accounted as Rs. 58,413,924 by Rs.3,696,630.</p> | <p>It will be corrected in the preparation of financial statements for the year 2024.</p> | <p>Financial statements should be prepared accurately.</p> |
| <p>(e) The value of 05 equipment of Rs.164,925 purchased during the year under review was not accounted under fixed assets.</p> | <p>The necessary instructions to correct these deficiencies in the future were given to the subject officer.</p> | <p>Financial statements should be prepared accurately.</p> |
| <p>(f) Rs.155,307 incurred for obtaining electricity connections for 03 places belonging to the Pradeshiya Sabha was not accounted under land and buildings.</p> | <p>The necessary instructions to correct these deficiencies in the future were given to the subject officer.</p> | <p>Financial statements should be prepared accurately.</p> |

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| <p>(g) The value of furniture and equipment purchased during the year under review was Rs.2,718,780, but it was overstated as Rs.2,888,460 by Rs.169,680 under furniture and equipment.</p> | <p>The necessary instructions to correct these deficiencies in the future were given to the subject officer.</p> | <p>Financial statements should be prepared accurately.</p> |
| <p>(h) The value of Briar machine purchased for Rs.2,590,000 in the year under review was understated as Rs.2,500,000 by Rs.90,000 under machinery and equipment</p> | <p>It will be corrected in the preparation of financial statements for the year 2024.</p> | <p>Correct balances should be included in the financial statements.</p> |
| <p>(E) The value of 02 plastic water tanks and a Tablet computer received as donations during the year under review was not assessed and accounted for.</p> | <p>It will be corrected in the preparation of financial statements for the year 2024.</p> | <p>The values of assets owned by the Sabha should be accurately accounted for.</p> |
| <p>(A) The Weekly fair late penalties in the year under review, was Rs.234,868, but it was understated by Rs.100,000 as Rs.134,868 in the statement of financial operations.</p> | <p>It will be corrected in the preparation of financial statements for the year 2024.</p> | <p>Correct balances should be included in the financial statements.</p> |
| <p>(o) In the year under review, Rs.26,665,930 was received for the regional development support project, and therein Rs.25,282,600 was spent as capital expenditure and Rs.1,383,330 revenue expenses. These transactions were not disclosed in the statement of financial operations.</p> | <p>It will be corrected in the preparation of financial statements for the year 2024.</p> | <p>Correct balances should be included in the financial statements.</p> |

1.6.2 Documentary Evidences not made available for Audit.

Audit Observation -----	Comments of the Sabha -----	Recommendation -----
Due to non-submission of professional Valuer's reports, title deeds and updated fixed asset register, outstanding weekly fair tax register and deposit register in relating to 03 assets subject and one liability subject worth Rs.141,107,722, could not be satisfactorily verified in the audit.	The necessary activities to measure and formally assess the lands owned by the Sabha are currently being carried out, and the necessary instructions to update other relevant documents and schedules have been given to the subject officers.	Documents and schedules supporting the balance shown in the financial statements should be maintained up to date.

1.7 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 -----
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka FR 104(4)	By 15th December 2023, even if 02 months to 36 months have passed since the accidents happened, but a full report had not been submitted as per the financial regulations regarding 04 accidents involving 03 vehicles.	The preliminary reports related to these accidents have been sent to the local government department and the full reports will be sent immediately after approval.	Action should be taken as per the applicable financial regulations.

<p>(b) Paragraph 02(IV) of Public Administration Circular No. 09/2009 dated 16 April 2009</p>	<p>Although an amount of Rs.879,985 was paid for overtime and holiday pay from January to November 2023, the arrivals and departures were not confirmed by fingerprint machine reports.</p>	<p>This situation arose due to the fingerprint machine being inactive In the year 2023, and during the payment of overtime and holiday pay, the signatures of the officers were checked and payments were made with the recommendations of the supervisors.</p>	<p>Actions should be taken according to the relevant circulars.</p>
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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. 4,313,737 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 943,464 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	30,340	-	-	-	5,000	-	-	-
(ii)	Rent	25,536,256	21,701,665	21,705,990	(4,325)	12,897,775	12,335,379	11,660,769	674,610
(iii)	License Fees	1,960,400	1,225,800	1,221,100	4,700	1,830,200	1,052,600	1,037,600	15,000
(iv)	Other revenue	13,760,187	10,321,420	6,527,518	3,763,902	16,916,814	10,425,389	7,933,204	2,492,185
	Total	<u>41,287,183</u>	<u>33,248,885</u>	<u>29,454,608</u>	<u>3,764,277</u>	<u>31,649,789</u>	<u>23,813,368</u>	<u>20,631,573</u>	<u>3,181,795</u>

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

The rental income of Rs. 5,495,856 due for the lease of the property owned by the Sabha in relating to previous years was not collected.

Due to the inability to hold weekly fair due to the Corona epidemic situation, this has been forwarded to the Hon. Governor for approval to write off this income from the books,

The arrears should be recovered.

(b) Rent

Out of the shop rental income of Rs.1,355,400 billed in the year under review, Rs.28,400 and Rs.107,650 from the shop rental income billed in the previous years had not been recovered by December 31 of the year under review.

The lessees were informed to recover these arrears.

The arrears of revenue should be recovered.

Trade License fees

As of December 15, 2023, 57 shops owned by the Pradeshiya Sabha had been rented on rent basis, and no business tax, industry tax or trade license fees had been charged for those shops.

The instructions were given to the Revenue Inspector for making the relevant recoveries.

Taxes and fees due to the Sabha should be collected.

Other Revenue

(a) Billboard fees of Rs. 599,565 due for 126 billboards identified in the year 2023 had not been collected.

The instructions were given to the Revenue Inspector to recover the relevant arrears.

The arrears of revenue should be recovered.

(b) Arrears water charges of Rs.173,119 due from 131 water consumers related to the year under review had not been recovered by 31 December 2023.

The arrears of water charges will be recovered promptly.

The arrears of revenue should be recovered.

(c) Court fines of Rs.272,500 and stamp duty of Rs.4,770,082, which should have been received on December 31 of the year under review, had not been collected.

The necessary measures are being taken to recover these arrears.

The arrears of revenue should be recovered.

3. Operational Review

3.1 Fulfillment 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.

(a) Environmental Protection Permits

Audit Observation

Comments of the Management

Recommendation

(i) The Sabha had not conducted a survey in the year 2023 to identify the industries that should obtain environmental protection permits.

According to the survey conducted in the year 2022, environmental protection license fees have been collected in the year 2023.

The Sabha should regulate the existing industries in the area.

(ii) For 08 industries whose validity period of environmental protection licenses has expired, environmental protection licenses have not been re-issued.

The relevant parties have been informed to obtain environmental permits for these industries.

The Sabha should regulate the existing industries in the area.

(b) By-laws

Audit Observation

Comments of the Management

Recommendation

(i) Gazette No. 2307 dated November 18, 2022 stated that the Sabha should charge fees under the waste management by-laws, but in relation to the year 2023, the institutions that should be charged for garbage had not been identified and the fees collected.

Regarding the year 2024, these activities will be formalized.

Fees should be charged for garbage according to the relevant by-laws.

(ii) Gazette No. 2307 dated 18 November 2022 States that a fee of Rs.5, 000 and a monthly fee of Rs.150 will be charged for the registration of three-wheelers in three-wheeler parks, but a by-law for three-wheeler parks had not been formulated or embraced by the Sabha.

In this regard, formal actions will be taken in the future.

Action should be taken to prepare a by-law.

(c) Water Projects

No water sample testing was done to examine whether the water obtained by the Dematabedda water project run by the Sabha is in a suitable condition for drinking.

That water samples will be sent for quality tests and reports will be obtained immediately.

Attention should be paid to the health of the people of the area.

3.2 Management Inefficiencies

Audit Observation

Comments of the Management

Recommendation

(a) Due to the inefficiency, negligence and non-compliance of prescribed procedures by the officials, the insurance compensation of Rs. 474,578 due in relation to 02 vehicle accidents belonging to the Pradeshiya Sabha had not been received even by 15th December 2023.

The necessary steps are being taken to resolve this issue.

The relevant loss should be recovered from the insurance companies and the responsible parties.

(b) The back loader belonging to the Pradeshiya Sabha was involved in an accident on September 8, 2020, and by December 15, 2023, the repair had not been done and the insurance compensation had not been received.

Due to the corona epidemic situation in the country, this repair work was delayed, and now the price quotation estimates have been obtained from the relevant institutions and forwarded to the Provincial Mechanical Director.

Repairs of the machine should be carried on promptly.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
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(a) 10 stalls located in the two-storied trade complex at the Siambalanduwa fair grounds, were not leased since 2017.	Although these shops have been procured, no one has come forward to acquire those shops.	Shops owned by the Sabha should be leased and tax revenue should be collected.
(b) Shop No. 03 in Siyambalanduwa Satipola Premises owned by the Pradeshiya Sabha was leased for a key money of Rs.117,450 from 06 October 2021 for 03 years, and it was decided to recover the key money in 11 monthly instalments On March 27, 2023, the lessee had handed over the shop to the council and Rs. 96,102 had to be recovered from the relevant key money.	For recovery of arrears, written notifications have been made to the relevant parties.	Arrears must be recovered.
(c) Employee loans of Rs.168,378 given to 03 officers who worked in the Sabha remained unpaid for more than 1 year.	That outstanding loan balances will be recovered promptly.	Employee loan balances should be recovered promptly.

3.4 Assets Management

Audit Observation	Comments of the Management	Recommendation
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(a) Legal ownership of 02 vehicles used by the Sabha was not taken over to the Sabha.	The immediate actions will be taken to resolve this issue.	Legal ownership of vehicles should be taken over.

<p>(b) It was observed that the engine numbers of 2 vehicles owned by the Sabha and the chassis number of one vehicle did not match with the engine and chassis numbers mentioned in the vehicle registration certificate.</p>	<p>The necessary steps are being taken to solve this problem.</p>	<p>Attention should be paid to the ownership and security of assets owned by the Sabha.</p>
<p>(c) Odometers of 02 tractors owned by the Sabha were out of order and they were used for duty without repair.</p>	<p>Under the full supervision of the technical officers, these 2 vehicles have been put into use in order to maintain the essential services and steps will be taken to resolve the issue promptly.</p>	<p>The vehicles and machines owned by the Sabha should be repaired when appropriate.</p>
<p>(d) In the water bowser owned by the Sabha, the number of kilometres driven according to the odometer was 2968, but as per the daily running charts it was recorded as 2849, thus 119 kilometres were driven more than the mileage according to the daily running charts.</p>	<p>In this regard, warning letters have been issued to the driver and excuses have been asked, and the subject officer has been instructed to check the odometer and running chart books of the vehicles on a monthly basis.</p>	<p>The use of vehicles owned by the Sabha should be implemented properly.</p>
<p>(e) In previous years, 562 library books worth Rs.128,184 had been issued to the readers in 04 libraries, and they had not been returned even by December 31 of the reviewed year.</p>	<p>The immediate action will be taken to recover the arrears.</p>	<p>The books issued to the readers should be retrieved.</p>

3.5 Procurement Management

<p>Audit Observation</p>	<p>Comments of the Management</p>	<p>Recommendation</p>
<p>-----</p>	<p>-----</p>	<p>-----</p>
<p>On October 10, 2022, bids were invited for the lease of the tender property owned by the Siambalanduwa Pradeshiya Sabha at a cost of Rs. 85,825, the parties who could submit bids were limited and newspaper advertisements were published.</p>	<p>The steps will be taken to correct these shortcomings in the future.</p>	<p>Procurement activities should be done properly.</p>

3.6 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
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As of December 31 of the year under review, there were vacancies of 07 officers in relation to 06 positions in the Sabha according to the approved staff and the said vacancies had not been filled.	The Local Government Department has been informed in writing regarding staff vacancies.	Staff vacancies should be filled.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Management	Recommendation
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According to the budget prepared for the reviewed year, the, in comparison of estimated income and expenses with the actual income and expenses of the year, there were variations from 06 percent to 100 percent in 08 income subjects and 19 percent to 87 percent in 07 expenditure subjects. Thus, the budget was not used as an effective control tool.	The steps will be taken to properly prepare the budget in the future.	Annual budget estimates should be prepared more realistically, and work should be done to achieve those targets.