

## **Thalawa Pradeshiya Sabha - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Thalawa Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of assets and liabilities as at 31 December 2023, Comprehensive Income Statement, Statement of changes in equity / net assets, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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. 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 accompanying financial statements give a true and fair view of the financial position of the Thalawa Pradeshiya Sabha as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

#### **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 Sri Lanka Public Sector Accounting Standards for Local Authorities, 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 skepticism 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
(a) Depreciation of Rs.1,338,097 for the year 2022 related to 10 roads built in the year 2021 with a value of Rs.13,380,968 was not accounted for.	Accepted	Correct depreciation should be identified and accounted for.
(b) The certified amount of Rs.5,981,077 as at 31 December 2023 under the Talawa Green City Project, was not accounted for as assets and capital grants in the year under review.	-Do-.	Assets to be capitalized must be correctly identified and accounted for.
(c) The expenditure on the construction of tube-well and water tank in the year 2022 amount of Rs.1,210,425 had been accounted as capital grants in the year under review.	-Do-.	Capital grant value should be accurately identified and accounted for.
(d) Assets of Rs.7,291,898 related to 04 projects paid in the year 2022 were not accounted for as property, plant and equipment and as capital grants.	-Do-.	Property, plant and equipment and capital grants should be recognized and accounted for.

## 2. Financial Review

### 2.1 Financial Results

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs.22,477,373 as against with the excess of expenditure over revenue amounted to Rs.11,591,444 in the preceding year.

## 2.2 Financial Control

### Audit Observation

Court fines and stamp duty income of Rs.37,250,000 received by the Sabha were not used to fulfill the needs of the people and had been invested in fixed deposits in the year under review.

### Comments of the Sabha

That money will be used for development activities in the future.

### Recommendation

Arrangements should be made to allocate money for the essential functions of the area.

## 2.3 Revenue Administration

### 2.3.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

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

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.
(i) Rates and Taxes	13,438,659	15,391,286	15,151,557	22,571,661	13,100,493	14,183,776	14,662,751	22,331,932
(ii) Rent	16,571,200	14,251,837	15,564,280	4,138,014	21,132,744	13,622,075	14,677,552	5,450,457
(iii) License Fee	4,618,650	4,352,086	4,863,086	138,150	4,221,400	4,230,756	4,657,114	649,150
(iv) Other Revenue	31,854,111	34,772,413	19,168,431	33,498,332	25,743,850	28,774,180	19,138,164	17,894,350
	<u>66,482,620</u>	<u>68,767,622</u>	<u>54,747,354</u>	<u>60,346,157</u>	<u>64,198,487</u>	<u>60,810,787</u>	<u>53,135,581</u>	<u>46,325,889</u>

### 2.3.2 Performance in Revenue Collection

The observations regarding the performance in revenue collection of the council are as follows.

### Audit Observation

### Comments of the Sabha

### Recommendation

#### (a) Rates and Taxes

(i) The billed amount of Rates and Taxes in the year under review was Rs.6,240,417, out of that 52 percent or Rs.3,082,766 had not been not recovered.

Accepted

Actions should be taken to recover.

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| (ii)                     | The arrears related to previous years as of 01 January 2023 was Rs.19,918,933, out of that a sum of Rs.17,242,538 or 87 percent of it, had not been recovered in the year under review.                  | That the arrangements have been made to collect arrears promptly.   | -Do-   |
| (iii)                    | Arrears of Rs.20,750 of industrial tax related to 32 institutions and arrears of Rs.178,800 of business tax related to 184 institutions had not been collected by 31 December 2023.                      | Actions will be taken to recover.   | -Do-   |
| <b>(b) Rent</b>          |  |   |  |
| (i)                      | Rent arrears of Rs.2,431,639 for the shops belonging to the council had not been collected by 31 December of the year under review.  | That part of the outstanding amount has been recovered and as the agreements are missing, it is not possible to take legal action to recover the remaining arrears. | -Do-   |
| (ii)                     | no action has been taken to collect the arrears of rent of Rs.1,265,976 in the year under review, due from 01 to 08 years for the leasing of the commercial right.                                       | Actions will be taken to recover in the future.   | -Do-   |
| (iii)                    | The council had not been able to take legal action to recover the arrears of Rs. 5,778,686 due to the fact that the council only nominally leased 33 places for trading rights without having a place.   | Stalls will be established in those places and the revenue will be collected in the future.   | Arrangements should be made to transfer the respective places to the council before leasing. |
| <b>(c) Other Revenue</b> |  |   |  |
| (i)                      | A sum of Rs.1,738,808 due for 04 water projects located in the Sabha area had not been recovered by 31 December 2023.  | That arrears are being recovered in installments.   | Action should be taken to recover.   |
| (ii)                     | Court fines and stamp duty that should have been received from the Chief Secretary of the Provincial Council and other authorities on 31 December 2023 were Rs.25,428,442 and Rs.4,718,481 respectively. | That requests have been made to provide this money.   | -Do-   |

### 3. Operational Review

#### 3.1 Performance of functions assigned by the Act

The matters observed regarding the accomplishment of the functions that should be discharged by the Pradeshiya Sabha under Section 3 of the Pradeshiya Sabhas Act, such as, the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people and all amenities within such area, are mentioned below.

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	By-laws could have been enacted to fulfill 30 main matters under Section 126 of the Pradeshiya Sabha Act, but no by-laws had been enacted for those matters by 31 December 2023.	Accepted	Arrangements should be made to enact by-laws.
(b)	It was observed that the hotels in front of Eppawala weekly market and in the city are very dirty and harmful to the health of the people, but the public health inspector did not pay attention to control those conditions.	That the necessary work will be done in the future.	Public health inspectors should be deployed and necessary action should be taken.

#### 3.2 Uneconomic Transactions

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
	No arrangements had been made in the year 2023 to take the weekly market to the place that was built for Tambuttegama weekly market in the year 2017 at a cost of Rs.9,500,000.	It is hoped to open after the approval of the Governor.	Action should be taken to open.

#### 3.3 Identified Losses

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	It was decided to recover Rs.4,458,993 from the responsible parties for the loss of the Cab belonging to the council, which was involved in an accident on 15 April 2019, but the money was not recovered.	Accepted	Legal action should be taken to recover.

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| (b) | Formal disciplinary investigations had not been conducted regarding the losses of Rs.4,018,681 identified by the council, and the necessary arrangements had not made to identify the responsible parties and collect those losses. | That the files will be checked in future and the actual information will be presented. | Formal disciplinary investigations should be conducted and efforts should be made to recover. |
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### 3.4 Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) There was no action taken to correct the deficiencies in the Sabha-owned Talawa and Eppawala weekly market and to provide necessary sanitary facilities to the traders, to prepare fences and gates and to protect the assets in the market grounds. 100 stalls built in the Talawa weekly market remained idle as they were not used for trading.	That these deficiencies will be corrected in the future.	Actions should be taken to correct the shortcomings of the weekly market.
(b) The Sabha had lost the income it could have earned because the Sabha had not taken steps to collect fees for the peddlers and car parks in the Sabha area.	That a survey will be conducted and charges will be collected.	Arrangements should be made to conduct a survey and collect fees.

### 3.5 Assets Management

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) The Sabha had not taken steps to dispose of 03 vehicles which had been out of use for 04 to more than 17 years.	Action will be taken to disposed-of.	Action should be taken to disposed-of.
(b) 07 vehicles belonging to the Sabha were not used for a period between 03 months and 10 years.	Accepted	Action should be taken to use the vehicles.
(c) No steps were taken to get insurance benefits and repair the vehicles for 02 vehicles that had met with accidents in the year 2019.	-Do-	Obtaining insurance benefits and vehicle repairs should be done.
(d) The values related to 124 books which were identified as missing in the Eppawala library had not been calculated, and the responsible persons had not identified and recovered the loss.	-Do-	Actions should be taken to recover.

#### 4. Accountability and Good Governance

##### 4.1. Annual Action Plan

Audit Observation	Comments of the Sabha	Recommendation
(a) None of the 07 projects for which an allocation of Rs.1,302,654 was allocated in the 2023 budget was implemented in the year under review.	It is expected to be used for related projects in the year 2024.	The proposed projects should be implemented within the relevant year.
(b) According to the action plan for the year 2023, it was proposed to prepare a by-law for the crematorium, but it had not done.	That after the new members are appointed, the necessary arrangements will be made for that.	The tasks mentioned in the action plan should be carried out.
(c) It was planned to identify and gazette the roads belonging to the Sabha, but the task was not completed.	Action will be taken to gazett in the future.	-Do-
(d) It was mentioned in the action plan that the waste management center in Orugalayaya will be improved in the year 2023, but the work has not been done. Elephants used to visit this center, but due to the lack of an elephant fence, the existing properties had been damaged. Also there has a threat to the lives of the employees working there.	A provision of Rs. 1.2 million is to be received for this purpose in the future, and the related activities will be carried out after receiving the money.	-Do-

##### 4.2 Environmental Issues

Audit Observation	Comments of the Sabha	Recommendation
An environmental permit was not obtained from the Central Environment Authority for the waste management center located in Orugalayaya.	Even though it was applied for the environmental permit, In the year 2019, it was not possible to obtain the environmental permit because the roof of the garbage yard has not been fully constructed.	Necessary arrangements should be made to obtain the environmental permit.