

1. Financial statement

1.1 Qualified Opinion

The audit of the financial statements of the Agarapathana Pradeshiya Sabha for the year ended 31 December 2023 comprising with the Balance Sheet as at 31 December 2023 and Income and Expenditure Account, 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, because of the significance 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 Agarapathana Pradeshiya Sabha as at 31 December 2023 and its financial performance 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 in respect of the financial statements.

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 the 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 its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

1.4 Scope of Audit (Auditor's Responsibility in Auditing Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 a part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also,

- Appropriate audit procedures were designed and performed identify and asses the risks of material misstatements in financial statements whether due to fraud or error in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design audit procedure that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the 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 discourses, 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:

The scope of audit has also been widened to examine the following as far as possible and whenever necessary.

- 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 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements

- The financial statements of the pradeshiya sabha are consistent with the preceding year as per the requirement of the section 6 (1) (d) (iii) of the National Audit act No. 19 of 2018 .
- The recommendations made by me during the previous year are included in the financial statements as requirement by Section 6 (i) (d) (iv) of the National Audit Act No. 19 of 2018 except observations (a),(b),(d),(e), (i) and (g) in paragraph 1.2.2 of summary report of the previous years.

1.6 Audit Observations regarding the Preparation of Financial Statements

1.6.1 Accounting deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The financial statement had overstated a sum of Rs. .299,700 for office equipment and furniture and an amount of Rs.16,900 for fixtures	that action is taken to enter the correct value	Arrangements should be made to prepare Accounts properly.
(b)	While there was no error in the opening balances of the general deposit account, Rs.37,575 out of 11 journal entries had been erroneously credited to the accumulated fund by debiting the general deposit account stating that the opening balances were corrected.	That action is taken correct the balance due to an overstatement as a result of occurring an oversight in the collection	- Do -

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| (c) | In the year under review, the Advertisement income had been understated by Rs.1,006,675 and the stock balance had been understated by Rs.29,750 . | That action will be taken account for correctly in the future | Arrangements should be made to prepare Accounts properly. |
| (d) | Although the plots of land on which the slum houses had been built were transferred to the residents through deeds of transfer, the plot value of Rs.1,800,000 thereto had not been included in the financial statements. | As we do not have any documents regarding the houses, it is accepted that the deficiency has occurred. | Assets should be properly identified and accounted for. |

1.6.2 Unreconciled control accounts or records

Audit Observation	Comments of the Sabha	Recommendation
In the financial statements prepared as on 31 December of the year under review, there was a total difference of Rs.1,091,578 when comparing the balances of fixed assets, 04 subjects with the balances of the related subsidiary documents.	That action will be taken to correct properly.	Action should be taken to correct Account balances.

1.7 Non-compliance

1.7.1 Non-compliance with laws, rules and regulations

Below are the cases where laws, rules and regulations were not complied with.

Reference to laws, rules, regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a) Acts			
Section 149 of the Pradeshia Sabhas Act No 15 of 1987	Only a trade license fee had been charged from a tourist board-approved resort within the pradeshia Sabha limits without charging 01 per cent of annual revenue.	From this year onwards, action is taken to charge the correct fees from the relevant institution.	Action should be taken to act in compliance with the provisions of the Act.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

Financial Regulations 571(3)	As on the last date of the year under review, action had not been taken to settle 27 general deposit balances amounting to Rs.711,132 for a period of 3 to 5 years.	That our institution does not have sufficient provisions to settle the money held in public deposits as contract retention.	Action should be taken according to Financial regulations.
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(c) Local Government Commissioner's Circulars

Circular No. 1988/22 dated 17 May 1988	Rates were being collected based on the assessment carried out in 2008 without assessing the property with assessments taxes once in 05 years.	That arrangement had not been made for the relevant assessments.	Action should be taken as per the instructions. Of the Circular
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2. Financial Review

2.1 Financial Results

According to the presented financial statements, the income exceeding the recurring expenditure of the sabha for the year ending 31 December, 2023 was Rs.2,305,376 and as against the expenditure exceeding the recurring income of the previous year was Rs.2,211,805.

2.2 Revenue Administration

2.2.1 Estimated Revenues, Billed Revenues, Collected Revenues and Outstanding Revenues

According to the information presented by the secretary, the following is the information about the estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year.

Source of income	2023				2022			
	Estimated revenue	Billed revenue-	Collected revenue	Total deficit as on December	Estimated revenue	Billed revenue	Collected revenue	Total deficit as on December
	Rs..	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	1,576,584	3,628,080	3,379,480	2,338,098	1,959,000	2,916,056	2,755,710	2,089,498
(ii) Stall rents	2,545,800	2,000,606	1,295,500	975,481	94,800	4,356		24,125
(iii) License Fees	2,830,000	1,694,500	1,694,500	-	2,610,000	1,447,000	1,447,000	-
(iv) Other Revenues	64,739,712	4,135,820	2,897,847	2,328,221	56,170,050	2,373,333	3,552,433	1,090,248
	<u>71,692,096</u>	<u>11,459,006</u>	<u>9,267,327</u>	<u>5,641,800</u>	<u>60,833,850</u>	<u>6,740,745</u>	<u>7,755,143</u>	<u>3,203,871</u>

2.2.2 Revenue collection performance

Following are the observations regarding the revenue collection performance of the sabha.

Audit Observation	Comments of the Sabha	Recommendation
<p>(a) Assessment Tax</p> <p>62 per cent of the assessment tax deficit as of 01 January and 59 per cent of the billing had been collected and a further amount of Rs. 522,462 remained to be collected in the year under review. Also, acreage tax and land tax were at a low level of 54 per cent. The progress in revenue collection was not sufficient as the collection was only 55 per cent of the total billings during the year.</p>	<p>The collection of revenue is carried out by a Health Labour Supervising Officer who has had to collect revenue covering all the cities and the collection of revenue is delayed due to that reason.</p>	<p>Action should be taken to recover the arrears.</p>
<p>(b) Other income</p> <p>A sum of Rs.2,156,900 had not been collected from 83 Advertisement in the previous year and the reviewed year as of the last day of the reviewed year.</p>	<p>That Several letters have been sent to the trading companies but the said companies have not made the payment for the respective Advertisement</p>	<p>Action needs taking to recover the arrears.</p>
<p>(c) Court fines and stamp duty</p> <p>The stamp duty that should have been received from the Chief Secretary of the Provincial Sabha and other authorities on 31 December of the year under review amounted to Rs.2,328,221.</p>	<p>That the relevant fees have not been received by the institution up to now.</p>	<p>Arrangements should be made to bring in the Deficit revenues</p>

3. Operational review

3.1 Performance

In terms of section 3 of the Pradeshiya Sabhas Act, the following are the facts that were observed regarding the performance of the Sabha's duties of regularizing and controlling matters of public health, public utility services and public roads, comfort, convenience and welfare of the people.

	Audit Observation	Comments of the Sabha	Recommendation
(a)	A performance report had not been prepared.	That action will be taken to prepare the performance report.	Annual performance report should be prepared.
(b)	The Sabha had distributed unhealthy drinking water to 474 consumers from 07 water sources without proceeding in accordance with 78 (1) of the Pradeshiya Sabhas Act No 15 of 1987.	That it is expected to request assistance for the water purification units as the water is not of the required quality,	Arrangements should be made to provide clean drinking water.
(c)	In accordance with the provisions of Sections 79, 84, 85, 92, 93 and 95 of the Pradeshiya Sabhas Act No. 15 of 1987, the construction and maintenance works related to public drains, waste drains, water lines, toilets, etc. and any work required to protect them had not been performed during the year under review. .	That the action will be taken to seek the local government provisions in the future to carry out the activities properly.	Efforts should be made to act according to the provisions of the Act.
(d)	According to Sections 93 to 95 of the Pradeshiya Sabhas Act No. 15 of 1987, it had been stated that necessary measures should be taken for the removal and transportation of faeces in the houses within the Pradeshiya Sabha limits, but there was no any program for removing the faeces and the related Gully bowser service had not been maintained.	Actions are taken to implement the due by requesting local government provisions in the future.	Efforts should be made to act according to the provisions of the Act.
(e)	In accordance with the provisions of Part III of the Pradeshiya Sabhas Act No. 15 of 1987,any work such	Actions are taken to implement the due by	Efforts should be made to act as per the provisions of the Act.

as construction of roads, improvement, naming of streets, construction of roads for the benefit of private property owners, gazetting of roads owned by the sabha, etc, within the Pradeshiya Sabha limits had not been done using the funds of the sabha during the year under review.

requesting local government provisions in the future.

- (f) Public markets or weekly fair had not been established and operated for the benefit of the residents as per the section 119 of the Pradeshiya Sabhas Act No. 15 of 1987.

Actions are taken to implement the due by requesting local government provisions in the future.

Efforts should be made to act as per the provisions of the Act.

3.2 Management inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) the construction of a passenger shelter in Manrazi town had been awarded to a contractor at an estimate of Rs.500,000 on the allocation of the State Ministry of Estate Housing and Community Infrastructure in the year 2021. Although the contractors had constructed a 6 x 10 meter two-storied building deviating from the approved sabha plan and blocking the by-way and the temporary bridge used for the construction of the new bridge, the sabha had not taken any action in this regard.	That legal action has been taken at present.	In the event of getting work done by the contractors, It should be got it done as per estimates.
(b) Although 08 industries worth Rs. 2,689,941 which were contracted to be fulfilled by sabha funds in the year 2018, had been completed in the relevant year, the payment of an amount of Rs.1,021,461 had not been made for the industries till 31 December of the year under review.	That action is being taken to pay the relevant retention money as instalments	Action should be taken to investigate and resolve.

(c) A balance of Rs. 1,902,345 out of the allocation received in the year 2019 to facilitate the newly established local government bodies was retained in the general deposit account as of 31 December of the year under review and had not been used for the intended purpose	That action will be taken to purchase office equipment upon constructing an office building with sufficient space.	The deposited money should be spent for the expected purpose.
(d) As on 31 December of the year under review, the value of 16 units of assets, 05 land and buildings, 06 public toilets and a handcart under wooden furniture and fixtures had not been recognized and accounted for.	No comments have been made.	Action should be taken to identify the value and account for.

3.3 Idle or underutilized property, plant and equipment

Audit Observation	Comments of the Sabha	Recommendation
(a) furniture and 40 units of electrical equipment value of Rs. 1,202,013 held in Nagasena and Meraya public libraries were not used and remained underutilized for a period of 04 years.	That the relevant office equipment remained unused due to lack of sufficient space at the institution	Action should be taken to use Equipment effectively.
(b) Even though a vehicle belonging to the sabha had been involved in an accident on 05 September 2020, it remained unrepaired and underutilized till 31 December of the year under review.	That the inspection report as per Financial Regulation 104 (4) has been submitted to the relevant committee.	Action should be taken to repair it.

3.4 Asset Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Although 02 plots of land worth Rs. 18,677,700 assigned to the Nuwara Eliya Pradeshiya Sabha, had been transferred to the Agaratana Pradeshiya Sabha at the Odilton land auction, the ownership had not been	That we will negotiate with the relevant parties and make efforts to put the land transferred to us for the proper use in the future.	Arrangements should be made to transfer the land to the sabha.

taken over as of 31 December of the year under review.

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| (b) | The ownership of 04 vehicles used by the sabha had not been taken over by 31 December of the year under review. | That the letters along with the MT-6 applications for taking over the ownership of the vehicles owned by the sabha have been submitted to the agencies that handed over the respective vehicles to us. | Action should be taken to take over the title. |
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3.5 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
(a) 11 employees who were recruited on permanent basis from Nuwara Eliya Pradeshiya Sabha to Agarapathana Pradeshiya Sabha had not been confirmed in the service for a period of 06 to 24 years.	That further steps will be taken to make the posts of the concerned employees permanent	Necessary and appropriate actions should be taken.
(b) Although the approved cadre consisted of 98 posts, there were 78 vacancies in 17 posts.	That a letter will be sent to the Assistant Commissioner of Local Government on 29 April 2024.	Action should be taken to fill the vacancies.