

## **Naula Pradeshiya Sabha - 2023**

-----

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Naula 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 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 Naula Pradeshiya Sabha as at 31 December 2023, and of its financial performance 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 (1)16of the National Audit Act No. 19of 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 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

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	The value of 1,194,996 of Library books received as donation in the year under review had not been accounted under Capital donation.	Arrangement will be made not to occur such errors in future.	It should be accounted correctly
(b)	Rs.133,971 Fixed deposit interest receivables in relating to the year under review had not been accounted for.	Arrangement will be made not to occur such errors in future.	It should be accounted correctly

## 1.7 Non- Compliances

### 1.7.1 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
Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
Financial Regulation 571(3)	The lapsed retention deposits of Rs.329,147 related to 5 cases has not been settled for almost 05 years.	The withholding money will be released or Posted to revenue.	It should be complied with Financial regulation.

## 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 2023 amounted to Rs.3,767,494 as compared with the excess of revenue over recurrent expenditure amounted to Rs.1,695,089 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

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	1,596,527	1,612,982	2,521,221	1,321,068	1,697,527	1,638,913	1,695,172	2,229,307
(ii) Rent	2,224,200	1,108,250	1,029,180	854,225	2,714,200	2,161,930	2,266,710	775,155
(iii) License Fees	2,655,000	2,014,985	2,014,985	-	1,770,000	1,461,000	1,461,000	-
(iv) Other revenue - water	3,000,000	3,205,548	2,943,948	1,054,902	1,500,000	1,918,172	2,197,505	793,302
Total	9,475,727	7,941,765	8,509,334	3,230,195	7,681,727	7,180,015	7,620,387	3,797,764

### 2.2.2 Performance in Revenue Collection

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

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
<b>Rates</b>		
Arrears of assessment tax revenue of Rs.783,120 due from 61 assessment units whose assessment arrears exceeded Rs.5,000 per unit had not been processed and recovered in terms of 158 of the Pradeshiya Sabha Act No. 15 of 1987.	The arrears of assessment balances will be recovered.	Arrears 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

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
In 04 water schemes owned by Naula Pradeshiya Sabha, water was distributed to water consumers without water sample testing on water quality. In this regard, attention was not paid on the Section 78(1) of the Pradeshiya Sabha Act No. 15 of 1987	In the future, the water samples of the water sources will be tested and the water will be purified and clean drinking water will be provided to the consumers.	Arrangements should be made to provide clean drinking water.

### 3.2 Management inefficiencies

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) The total of 05 accounts receivable balances as on the last date of the year under review was Rs.12,995,456. Out of this, the total of Rs.1,832,092 between 1 year and 5 years and the value of account balances exceeding 5 years of Rs.842,530 had not been recovered.	It will be collected in the year 2024.	Arrangements should be made to collect the receivable balances

- |     |   |  |  |
|-----|---|--|--|
| (b) | The amount of Rs.91,400 retained in the general deposit account for the repair of damaged roads was not used for the intended purpose.  | Further action will be taken after road inspection is carried out, in the future.  | Arrangements should be made to release the deposit or take it as income.             |
| (c) | According to Section 4(1) of the Local Authorities (Standard By-Laws) Act No. 06 of 1952 and Section 126 (vii) of the Pradeshiya Sabha Act No. 15 of 1987, the places where three-wheelers are to be parked within the Sabha area of authority and the maximum number of three-wheelers to be parked at each park should have been decided by the Sabha and published in a gazette, but it was not act accordingly. | In the future, the related surveys are expected to be carried out promptly, and the maximum number of approved three-wheelers is also expected to be gazetted. | The provisions of the Act should be followed.  |
| (d) | Although it had been 12 years since the clock tower established in Naula town was inactive, but no repairs had been made to it.   | In the future, it is expected to tender annually and hand over its maintenance work to the respective tenderer.  | Action should be taken to repair.  |
| (e) | 6350 books worth Rs.2,288,155 which had been purchased for distribution to economically disadvantaged children had been retained in the Sabha for more than a year..  | The applications will be immediately submitted for the approval of the minister in charge and the books will be distributed for the needs of the children.     | It should be done under formal approval.   |
| (f) | As a result of not being able to properly lease the 10 stalls that were built in Ambana town under the Moragahakanda project at a cost of Rs.16,419,722, there was loss of rental income of Rs.360,000 for one year at the rate of Rs.3,000 per month.  | Two stall owners have paid money and offered to obtain two stalls.   | Arrangements should be made to enter into formal agreements and collect stall rents. |

### 3.3 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
On the inspection of approved staff and actual staff of the Sabha, there were 20 vacancies in 13 posts as on 31 December 2023.	The requests have been submitted to the Public Service Commission by the Local Government Department from time to time regarding vacancies.	Arrangements should be made to maintain the approved staff.

### 3.4 Asset management

Audit Observation	Comments of the Sabha	Recommendation
(a) Out of the 4 lands that were sub-divided and sold at the auction, the plot of land with 6 Roods and 59.98 Perches which were reserved for the community and recreational activities of the Pradeshiya Sabha, had not been identified and took over the ownership to the Sabha.	Acquisition activities will be carried out in the future.	Arrangements should be made to take over.
(b) The ownership of 22 plots of land worth Rs.102,500,000 tenured by the Sabha had not been taken over.	Acquisition activities will be carried out in the future.	Arrangements should be made to take over.
(c) Ownership of a motor grader and a motorcycle worth Rs.6,311,373 had not been taken over.	The relevant documents have been sent to the Motor Traffic Department for taken over.	Arrangements should be made to take over.