

Pathadumbara Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Pathadumbara 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, 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 Pathadumbara 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 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 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)	The balance of the Urban Development Authority deposit account of Rs.4,732,957 was not accounted as Urban Development Authority funds, but was shown as general deposit balance.	It will be correctly accounted for in the coming year.	It should be accounted correctly.
(b)	Assets were understated by Rs.3,420,000 by capitalizing Rs.380,000 instead of Rs.3,800,000 incurred previous year for the improvement of the vehicle service centre,	-Do-	-Do-
(c)	At the end of the year under review, 02 development projects creditors balances of Rs.1,658,539 and a creditor balance of the vehicle service centre of Rs.486,750 were overstated by Rs.2,145,289 by accounting them twice.	-Do-	-Do-

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
There was a difference of Rs.92,650,087 in the balances of 15 account subjects shown in the financial statements as on the end of the year under review with the balances shown in the source documents.	The reasons for the difference will be investigated and corrected.	Accounts balance should be corrected.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to non-submission of schedules relating to 02 asset balances and one liability balance totaling Rs.11,290,290 shown in the financial statements, they could not be satisfactorily verified.	The document will be maintained correctly in the future.	Records should be maintained properly.

1.7 Non- Compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

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

Reference to Laws, Rules Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) F.R. 571(3)	From 2012 to last year, 32 lapsed miscellaneous deposits of Rs.1,928,438, 08 stall rents and 6 retention money were not settled.	Action will be taken to settle.	It should be complied with financial regulation.
(b) Circulars of Local Government Commissioner of Central Province			
(ii) Circular No. 2018/05 dated 24 April 2018	For the Japanese Technical Compost Project jointly run by Kundasale Pradeshiya Sabha and Pathadumbara Pradeshiya Sabha without the prior approval of the Local Government Commissioner, the secretary of the Sabha had informally hired 05 people from 2017 to 2020 and paid Rs.1,985,733 as salary during the year under review.	The approval will be obtained from the Commissioner of Local Government.	Circulars should be followed.

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.26,164,031 as compared with excess of revenue over recurrent expenditure amounted to Rs. 4,529,254 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 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.	Rs.
(i) Rates and Taxes	5,793,650	7,156,980	7,221,788	4,854,409	57,793,650	5,911,146	4,344,691	4,919,216
(ii) Rent	4,273,152	5,064,798	4,804,288	634,069	5,187,560	4,185,954	4,632,263	373,559
(iii) License Fees	3,180,000	3,180,000	3,572,481	-	2,728,000	2,728,000	3,873,232	-
(iv) Other revenue	70,363,413	28,801,367	24,620,069	95,044,320	47,585,763	75,798,623	57,962,808	90,863,022
	<u>83,610,215</u>	<u>44,203,145</u>	<u>40,218,626</u>	<u>100,532,798</u>	<u>113,294,973</u>	<u>88,623,723</u>	<u>12,908,149</u>	<u>96,155,797</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
(a) Rates and Taxes		
At the end of the year under review, the outstanding assessment balance was Rs.4,854,409, and at the end of the year under review, the total of 143 properties where assessment arrears exceeded Rs.5,000 per unit was Rs.1,270,284. and Rs.35,596 from two government institutions exceeding Rs.5,000.	Action should be taken to recover the arrears of income.	Arrears of assessment tax should be recovered.

(b) **Other Income**

(i) At the end of the year under review, the outstanding water charges balance was Rs.1,774,828, and the total of 48 water consumer units whose water fee arrears exceeded Rs.5,000 per unit was Rs.460,602. Action will be taken to recover Arrears of revenue should be collected.

(ii) During the year under review, 912,000 liters of water worth Rs. 1,476,000 were obtained from the Water Supply Board and distributed free of charge without any system.. The Local Government Commissioner will be informed and further action will be taken. Action should be taken to recover income.

(c) **Court Fine and Stamp Fee**

Court fines amounting to Rs.162,998 and stamp duty amounting to Rs.93,206,494 were due from the Chief Secretary of the Provincial Council and other authorities on December 31 of the year under review. The necessary steps will be taken to recover the arrears. Court fines and stamp duty related to the year should be collected

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.

Audit Observation	Comments of the Management	Recommendation
According to the provisions of Section 93 (b) of the Pradeshiya Sabha Act No. 15 of 1987, a gully service was not maintained to enable proper cleaning and emptying of pits for the disposal of sewerage in the houses in area.	A wastewater treatment project will be implemented.	It should be complied with the provisions of the Act.

3.2 Uneconomic Transaction

Audit Observation

23 stalls which have been closed since 2003 in the Madawala Public trade complex and a new trade complex has been planned to be built on an estimate of Rs.75,308,678 and Although Rs. 255,000 has been paid for the construction of the trade complex including Rs. 108,000 as architectural consultancy fees, Rs. 100,000 as engineering consultancy fees and Rs. 47,000 as for surveying work in the year 2020-2021, Due to the fact that the plan in question, fell within the street line limits, the Road Development Authority had not recommended the plan, so the construction had not started. Due to this, the money spent for this purpose was uneconomical.

Comments of the Sabha

The construction work will be started in the future.

Recommendation

Prior to this, plans should be approved and construction should commence based on feasibility studies.

3.3 Identified Losses

Audit Observation

- (a) In the lease of stalls for the year under review, a loss of Rs.116,713 had been incurred to the Sabha fund due to having to publish newspaper advertisements twice due to lack of proper study.
- (b) During the leasing of the butcher stall owned by the Sabha for the year under review, the Sabha had lost Rs.289,000 because the submitted tenders were forged and the tender of Rs.2,811,000 was accepted, instead of accepting the higher tender of Rs.3,100,000
- (c) According to the survey reports, at the end of the reviewed year, 654 books worth Rs.128,758 were missing in 06 libraries.

Comments of the Management

That, a shortcoming has occurred

The local government commissioner will be informed and further action will be taken.

It will be recovered from the concerned officials.

Recommendation

A proper study should be done.

The tender procedure should be followed formally.

It should be complied with Financial regulations

3.4 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The total of 05 accounts receivable balances as of December 31 of the reviewed year was Rs. 94,750,869, and according to the age analysis presented, the total of account balances related to the period between 3 and 5 years of Rs.111,545 and the total for more than 5 years of Rs.3,585,702 was not collected.	Action will be taken to recover.	Actions should be taken to recover the receivable balances.
(b) The total of 02 accounts payable balances as on December 31 of the reviewed year was Rs.20,051,059 and according to the age analysis presented, the total of account balances related to the period between 3 and 5 years of Rs.80,000 and the total for more than 5 years of Rs.2,911,545 was not settled.	It will be investigated and settled.	Actions should be taken to settle the payable balances.
(c) Dumbara Vehicle Service Center was established in the year 2021, and due to its implementation without proper planning and management, there was a loss of Rs.505,938 during the year under review.	The necessary action will be taken	Action should be taken to earn profit.
(d) Fixed asset registers were not maintained up to date and values of 13 land plots were not identified and recorded.	Action will be taken to maintain the record up to data	A record should be maintained up to date
(e) The amount of Rs.200,000 received from the Local Government Department to purchase a water motor for a water scheme last year, was kept in deposits without being used for the relevant work.	It will be settled in the future	The funds should be used for the purposeful activity.
(f) Regarding 115 public complaints regarding unauthorized construction, no further action was taken.	-Do-	Public complaints should be investigated and necessary action taken.
(g) According to the provisions of the Urban Development Authority Act No. 41 of 1978, 786 development permits had been approved for the construction of buildings in the last 5 years,	-Do-	The provisions of the Act should be followed.

and 731 compliance certificates had not been obtained, but no follow-up and necessary actions had been taken in this regard.

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| (h) | The proposed construction of the Vehicle Park in the year 2019 was planned to be informally constructed in Madawala Canal Reservation without identifying a suitable land, and the construction was not approved by the Divisional Secretary. In the years 2020 and 2023, Rs. 825,255 had been paid for the survey work of this land. | It will be settled in the future | A suitable site should be selected and construction should be carried out. |
| (i) | On October 12, 2016, both parties had signed an agreement for the Japanese technical aerobic automatic and organic fertilizer production program jointly implemented by Kundasale Pradeshiya Sabha and Pathadumbara Pradeshiya Sabha, and since July 2022, Kundasale Pradeshiya Sabha had not acted according to the agreement, although the agreement mentioned the recovery of financial loss due to breach of contract or the procedure to be followed in case of dispute, this issue had not been resolved by the audited date which was at end of the year under review. | It is planned to act according to the agreement. | It should be complied with the agreement. |

3.5 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
A lorry and a water bowser of unrecognized value and a cab worth Rs.1,600,000 remained idle and underutilized for a period of 01 to 14 years.	Appropriate action will be taken.	Arrangements should be made for repairs and auctions.

3.6 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
(a) The ownership of 05 vehicles used by the Sabha had not been taken over.	It will be taken over.	The ownership should be formally taken over.

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| (b) | 06 lands and 10 cemeteries used by the Sabha had not been taken over. | It will be taken over. | The ownership should be formally taken over. |
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3.7 Human Resources Management

Audit Observation

Comments of the Sabha

Recommendation

Employee vacancies and excess

In comparing the approved staff with the actual staff, there were 16 vacancies in 11 posts and 09 surpluses in the post of Development Officer.

Relevant parties had been informed about the vacancies and the surplus staffs are employed.

Relevant work should be done according to the approved staff.

4. Accountability and Good Governance Sustainable Development Goal

Audit Observation

Comments of the Sabha

Recommendation

According to the provisions of the Sustainable Development Act No. 19 of 2017, although the Sabha had identified sustainable development objectives and targets, it had not taken steps to achieve them..

Action will be taken to achieve the goals in the future,

Sustainable development objectives and goals should be identified and implemented.