

Pathahewahata Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Pathahewahata 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 Pathahewahata 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) In the previous year and in the year under review, 04 development projects totaling Rs.2,000,000, which had not been contracted, were erroneously listed under the creditors.	It will be implemented in the future.	Accounts should be kept correctly.
(b) An Ayurvedic stock worth Rs.71,461 which were destroyed in the last year's board of survey and a general store stock worth Rs.6,980 were accounted as an expense of the reviewed year under Journal No. 39 and 41, hence the expense of the year had been over-accounted by Rs.78,441.	The items removed in the previous year have been adjusted.	It should be properly accounted for.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
There was a difference of Rs.750,541 when comparing the balances of 04 accounting subjects shown in the financial statements with the balances shown in the source documents as on the end of the year under review.	It will be corrected in the future.	The difference should be recognized and accounted for.

1.6.3 Documentary Evidences not made available for Audit.

Audit Observation	Comments of the Sabha	Recommendation
Due to non-submission of physical presence and board of survey reports in relating to the total of furniture and fittings amounting to Rs.1,017,525 as on January 01, 2006 it could not be satisfactorily verified in the audit.	The difference will be investigated.	The existence of assets should be verified.

1.7 Non- Compliances

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) Section 22 (1) of the Urban Development Authority Act No. 41 of 1978	Although not less than 10 percent of the size of the land intended for land subdivision should be set aside for community and recreational activities, out of the 935 perches allocated to the Sabha, about 422.4 perches had been taken as unsuitable land for public activities with granite and slopes. Meanwhile, the relevant land plots had not been used for public or productive purposes.	The public works have not been carried out.	The concerned land should be used for a purposeful activity.
(b) By-Laws			
Bye-law regarding parking of three-wheelers published in Gazette No. 2307 dated 18 November 2022.	Three-wheeler charges of Rs.5,348,350 due from 2015 to 2022 were not collected from three-wheeler parking points in the sabha area of authority.	It has been informed in writing and orally	Fees shall be charged as per the by-laws provisions.

- (c) 571(3) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka 82 lapsed public deposit balances of Rs.3,555,969 for the period 2012 to 2021 had not been settled. It will be settled in the future It should be complied with financial regulations.
- (d) Ministry of Public Administration and Management Circular No. 30/2016 dated 29 December 2016 In 11 vehicles owned by the Sabha, the fuel combustion test was not done after the years 2019-2021. It will be done next year Action should be taken as per the Circular.

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.51,610,991 as compared with the excess of revenue over recurrent expenditure amounted to Rs.43,900,990 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.
(i) Rates and Taxes	3,158,720	3,214,764	3,940,584	4,018,045	3,151,936	3,359,800	5,889,272	4,743,865
(ii) Rent	7,750,000	7,564,223	7,700,410	1,309,705	2,475,925	6,674,473	6,625,282	1,445,891
(iii) License Fees	3,501,365	4,459,415	5,065,965	5,348,350	2,203,765	2,400,556	1,762,856	5,554,900
(iv) Other revenue	148,841,018	144,974,143	94,577,722	140,030,873	51,043,879	51,923,098	58,256,724	89,634,452
Total	163,251,103	160,212,545	111,284,681	150,706,973	58,875,505	64,357,927	72,534,134	101,379,108

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		
(i) At the end of the year under review, the outstanding assessment balance was Rs.3,376,325, and a total of Rs.1,717,669 had not been recovered from 55 properties where assessment deficit exceeded Rs.10,000 per unit.	It proceeds to be levied, by the seize of property	Revenue should be collected according to the provisions of the Act.
(ii) Rs.676,604 for 34 properties in 06 government institutions within the Sabha area of authority, which have been in existence for a period between 01 and 18 years.	The government agencies have been informed.	Assessment tax should be recovered.
(iii) According to Section 20 of the Assessment and Valuation Ordinance No. 30 of 1946, the assessment property should be assessed every 05 years, but no new assessment was done after the year 2009.	The relevant parties had been informed.	A new assessment should be obtained and charged.
(iv) The acreage tax balance of Rs.641,721 as at the end of the year under review was not collected.	It had been informed.	Taxes should be collected.
(b) Stall Rent		
At the end of the year under review, there was Rs.1,309,705 in arrears, and from the year 2019, Rs.191,520 for the Galaha Public Market Chicken Stall and Rs.155,833 for the Deltota Fish Stall from the year 2020 were due. Also, from 03 stalls that were tendered for a long time, the arrears rent for the period 2013-2021 was Rs.414,710.	It is currently being charged.	Income should be charged.

(c) Other Income			
(i)	At the end of the year under review, the outstanding balance of water charges was Rs. 18,550,388, of which 824 water customers whose water charges exceeded Rs. 10,000 per customer were Rs. 6,000,311.	Mobile services will be conducted and charged.	Outstanding balances should be charged.
(ii)	Although the water supply project of Muduna Kade was handed over to the Water Supply Board in the year 2012, the outstanding water charges of Rs.822,572 was not collected or handed over.	The survey is being carried on.	Outstanding balances should be charged.
(d) Court Fine and Stamp Fees			
	Court fines of Rs.1,951,360 and stamp duty of Rs.119,529,130 were to be received from the Chief Secretary of the Provincial Council and other authorities on December 31 of the year under review.	The letters have been forwarded to the Director of Budget.	Stamp duty and court fines 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.

Audit Observation	Comments of the Sabha	Recommendation
(a) For the Ankelipitiya Moragolla water project, which started work on an estimate of Rs. 70.39 million covering 09 Grama Niladhari domains in the Sabha area of authority, Rs. 51.16 million was spent and stopped in the midway since 2018. Rs.19.2 million of the completed value was still to be paid to the contractors. There is an acute shortage of drinking water in the Sabha area and the people were facing severe hardships. Even so, the relevant project was not restarted, and the Rs. 51.16 million that had been spent so far had been wasted. For this project, 4 water motors worth Rs.3,582,000	Provisions are not sufficient.	The relevant funds should be obtained and the projects should be implemented.

and electrical supplies worth Rs.2,587,000 which were purchased by the contractor remained idle.

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| (b) | According to the water sample test reports conducted in 02 water projects belonging to the Sabha in the reviewed year, the concentration of E Coli bacteria was in the range of 2-16 and the coliform bacteria was between 38-64, contaminated water which is unsuitable for drinking was distributed to the public without any concern about it. | Action will be taken to re-test | Clean water should be distributed. |
| (c) | As per the provisions of Section 93 (b) of the Pradeshiya Sabha Act No. 15 of 1987, no gully service was maintained to enable regular cleaning and emptying of the pits for the disposal of sewerage in the houses of the area. | It is not embraced by the by-laws. | It should be complied with the provisions of the Act. |

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) As on December 31 of the year under review, there were total Development projects creditor balances of Rs.5,808,200, and the total account balances for the period between 1 and 3 years were Rs.1,500,000.	It has been referred to the approval of the Governor	Arrangements should be made to settle.
(b) Although there are about 3600 water consumers related to 08 water projects operating in the Sabha area, Therein, only 511 customers had water meters installed, and correct water charges had not been charged.	It will be done next year.	Water meters should be installed and charged.
(c) Regarding the stamp duty income of Rs.21,990,425 for the years 2009 and 2020 and court fines of Rs.130,337 related to the year 2008, inquiries and settlement had not been made.	The concerned parties have been informed to submit supporting documents.	Arrangements should be made to obtain or settle the income.

(d) The amount of Rs. 7,529,934 in the Urban Development Authority account was not utilized for regional development activities after inquiring the authority	It will be used for development activities in the future.	It should be used for development activities.
(e) The legality of the land where stall no. 03 is located in Talathuoya town was not confirmed	The property is owned by the government and the rent was not paid when the rent was increased.	The legal ownership of the sabha should be confirmed.

3.3 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Lulkandura Tourism Center and its land, which was built on a land belonging to the Janatha Estates Development Board spending Rs.6,070,538 as Rs.4,812,538 from the Department of Trade, Commerce and Tourism and Rs.1,258,000 from the Sabha Fund were not taken over to the Sabha.	The concerned institution will be informed.	Ownership should be taken over.
(b) Arrangements were not made to take over the ownership of 28 lands worth Rs.19,652,781 used by the Sabha	It will be taken over in the future	Ownership should be taken over.

3.4 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Comparing the approved staff with the actual staff, there were 25 vacancies in 11 posts and 11 excess in 01 posts.	Vacancies have been notified and that the surplus is Development Officers.	Vacancies should be filled.
(b) A total of Rs.231,665 of loan balance of one officer who had transferred, died and three workers In relation to the year under review since 2014, had not been recovered.	It will be recovered in the future	Loan should be recovered.

**4. Accountability and Good Governance
Sustainable Development Goal**

Audit Observation

According to the provisions of the Sustainable Development Act, the Sabha had not identified sustainable development goals and targets and worked to achieve them.

**Comments of the
Sabha**

Relevant projects should be accomplished.

Recommendation

Objectives and targets should be identified and implemented.