

## **Polpithigama Pradeshiya Sabha - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Polpithigama Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023, and statement of financial operations, cash flow statement 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 the Provisions of the 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 Polpithigama Pradeshiya Sabhaas at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practices .

#### **1.2. Basis for Qualified Opinion**

I express qualified opinion in respect of financial statements based 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, 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 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 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 Financial Statements

### 1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) An expenditure of Rs.159,947 incurred during the year under review for the installation of water pipes in the Uthuruwella Water Project, which was not an asset owned by the Sabha had been capitalized .	Actions will be taken to correct in the future.	It should be accurately accounted for.
(b) An expenditure of Rs.896,012 incurred during the year 2022 had not been capitalized .	-do-	-do-
(c) The fixed deposit interest income amounting to Rs 120,547 in the year under review and the interest receivable as at 31 December amounting to Rs 137,762 had been understated.	-do-	-do-
(d) The value of 46 public wells handed over to the Sabha as at 31 December of the year under review amounting to Rs.403,000 had not been accounted for.	Actions will be taken to correct in the future.	It should be accurately accounted for.
(e) The creditors had been understated by Rs.156,096 as at 31 December 2023 .	-do-	-do-

## 1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Secretary	Recommendation
(a) There was a difference of Rs 50,044 between the value of the land on which the Mookalana Andarahena or Ambagahamula Handball playground is located valued at value of Rs 89,044 in the financial statements as at 31 December of the year under review, and the value shown in the register of fixed assets.	Since it was recorded by a mistake actions will be taken to be corrected in the future.	Appropriate corrections should be made identifying the reasons for the changes.
(b) There was a difference of Rs.470,827 between the book balances related to 06 libraries totalled to Rs. 6,818,990 shown in the financial statements as at 31 December of the year under review, and the balances shown in Board of Survey Report.	Actions will be taken to make aware the librarians and get accurate information.	Appropriate corrections should be made identifying the reasons for the changes.

## 1.7 Non-compliance

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

Reference to Laws, Rules, Regulations, Management Decisions etc.	Non-compliance	Comments of the Secretary	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Disposal activities had not been carried out in respect of 04 vehicles removed from running.	These vehicles have been sent to the Department of Motor Traffic for acquiring purpose and the disposals will be done after taking over.	Actions should be taken to dispose without delay.

## 2. Financial Review

### 2.1 Financial Results

As per the financial statements presented, the income exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2023 was Rs.13,317,548 and the correspondence revenue that exceeded the recurrent expenditure of the preceding year was Rs. 11,143,743.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenues, Billed Revenues, Collected Revenues and Arrears of Revenues

As per the information presented by the Secretary , the details about the estimated revenue, billed revenue, collected revenue and arrears of revenue presented for the year under review and the previous year are as follows.

Source of Revenue	<u>Year 2023</u>				<u>Year 2022</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
----- Rates and Taxes	----- 3,574	----- 4,210	----- 4,214	----- 7	----- 2,983	----- 3,428	----- 3,741	----- 11
Rents	9,913	7,653	7,737	25	12,508	6,291	6,183	109
License Fees	1,049	1,070	1,070	-	1,258	1,007	1,007	-
Other Income	25,273	33,491	11,621	21,870	37,088	37,088	19,282	27,865
Total	----- 39,809 =====	----- 46,424 =====	----- 24,642 =====	----- 21,902 =====	----- 53,837 =====	----- 47,814 =====	----- 30,213 =====	----- 27,985 =====

### 2.2.2 Performance of Revenue Collection

Audit Observation	Comments of the Secretary	Recommendation
(a) As a result of leasing the upper floors of the multi-purpose building below the assessed rent the Sabha had lost Rs. 123,600 for the two years of 2022 and 2023 .	Asset leasing activities have been carried out as per the approval of the Sabha Meeting. This assessment value has been implemented for the year 2024 as per the decision of the Sabha Meeting.	Actions should be taken to recover monthly rent as per new assessment.
(b) Seventeen trade stalls owned by the Sabha which are leased out for a Rs. 1,000 per month for the long-term lease had been leased out for a value of Rs. 204,000 as in the year 2023. Although an annual lease rent of Rs.525,000 for the above 17 trade stalls should be received as per the	Actions will be taken to levy new assessed values in the year 2024 as per the decision of the Sabha Meeting.	Actions should be taken to lease out as per new assessment.

assessment reports issued in the year 2023, due to non-implementation according to the assessment report, The Sabha had lost a value of Rs.321,000 .

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|-----|---|---|---|
| (c) | Although all the projects included in the list obtained after conducting an Annual Survey should be entered in the tax register of projects, business tax register and trade license fee register as per Pradeshiya Sabha Rule 61, without conducting a survey, actions had been taken to include in the register only businesses that pay fees without conducting such a survey. | Actions will be taken to conduct the Annual Survey in the year 2023 and collect taxes and fees from all those businesses. | All projects identified in the survey should be included in the register. |
| (d) | Due to failure of the Sabha to renew 50 Environmental Protection Licenses to be renewed in the year 2023 and collect those fees, the environmental regulation responsibility assigned to the Sabha had been neglected.  | All relevant license holders have been informed to renew the environmental license.                                       | Actions should be taken to recover the charges on time.                   |
| (e) | Twenty two transmission towers had been established by 06 communication agencies in the Sabha area and actions had not been taken to recover the lease rent amount of Rs. 72,000 to be received in the years 2021, 2022 and 2023 for 08 towers.   | Actions will be taken to properly collect lease rent from telephone transmission tower owners in this year.               | Actions should be taken to recover arrears of revenue.                    |

### 3. Operational Review

#### 3.1 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Secretary	Recommendation
There were 04 vehicles valued at Rs. 622,900 and 02 concrete mixers in idle in the Sabha premises without any use.	Necessary further actions will be taken in order to dispose of these vehicles which are not in running condition as per the Board of Survey recommendations of the year 2022 .	Actions should be taken to repair usable assets and dispose of idle assets.

### 3.2 Assets Management

#### Audit Observation

#### Comments of the Secretary

#### Recommendation

Although a three-wheeler which was removed from running and disposed in the year 2019, actions had not been taken to cancel its registration .

The three wheeler of project number HD - 8236 has been auctioned by public auction on 12 September 2019 and removed from fixed assets.

Actions should be taken to cancel the registration in the name of the Sabha.

### 3.3 Procurement Management

#### Audit Observation

#### Comments of the Secretary

#### Recommendation

Quotations were received from 03 organizations for the purchase of computers and 02 computers had been purchased by paying Rs.555,750 by selecting the second lowest bidder instead of selecting the lowest bidder. Accordingly, reasons had not been presented to reject the supplier who submitted the lowest price in relation to the selection of computers without the Technical Evaluation Committee

Actions will be taken in the future to rectify the deficiencies pointed out by the audit and carry out the procurement process.

After getting the recommendations of Technical Evaluation Committee, Purchases should be made accordingly.

## 4. Accountability and Good Governance

### 4.1 Annual Action Plan

#### Audit Observation

#### Comments of the Secretary

#### Recommendation

(a) Although the Sabha should have completed 40 projects according to the Annual Action Plan, only 17 projects out of that had been completed. A provision of Rs.37,092,800 had been made available for that and unfinished projects

Although the provisions had been made available by Budget for unfulfilled projects, other projects could not be carried out due to non-availability of provisions and non-availability of expected revenues.

Actions should be taken to conduct the affairs of the Sabha in accordance with the Action Plan.

(b) Nine projects which were not included in the Action Plan and lack of budgetary provisions of the year under review had been completed.

Although not included in the Action Plan, these projects have been carried out according to the decisions of the Sabha Meeting.

Action Plan should be used as an effective management tool.