

Maho Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Maho 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, statements of changes in equity, 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 Maho Pradeshiya Sabha as 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 Audit Observations on Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) The value of 05 items had been overstated by Rs 346,642 and the value of 05 items had been understated by Rs 20,120 in the stationery stock.	Actions will be taken to correct in the financial statements of 2024.	It should be accurately accounted for.
(b) The value of Rs 68,400 of 4 electric fans purchased by the Sabha during the year under review had not been accounted for.	-do-	-do-

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Secretary	Recommendation
There was a difference of Rs.308,747 between the library book value shown in the financial statements and the schedule balances as at 31 December of the year under review.	Agree with the observation.	Financial statement balances and related schedules should be prepared accurately.

1.6.3 Lack of Written Evidence for Audit

Audit Observation	Comments of the Secretary	Recommendation
The value of Rs.1,002,013 could not be satisfactorily verified during the audit due to non-submission of advance registers or other confirmation of balance for the subject of Project Advance Accounts.	Agree with the observation.	Relevant information should be verified.

1.7 Non-compliance

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

The Instances of non-compliance with laws, rules, regulations and management decisions are as follows.

Reference to Laws, Rules, Regulations, Management Decisions etc.	Non-compliance	Comments of the Secretary	Recommendation	
(a) Pradeshiya Sabha Act No. 15 of 1987	Section 134	Actions had not been taken to declare the areas developed and providing services by the Sabha and charge rates.	Agree with the observation	Actions should be taken in terms of the Section.

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

Financial Regulations 570 and 571

Actions had not been taken to credit 209 lapsed deposits valued at Rs. 6,774,863 to the government revenue .

-do-

Actions should be taken in terms of Regulation.

(c) Pradeshiya Sabha Financial and Administrative Rules

(i) Rule 33

Although a list of rates defaulters and a distress warrant of properties should be prepared by the Assessment Clerk at the end of each quarter and not submitted for the signature of the Chairman., it had not been so done.

-do-

Actions should be taken as per instructions in relevant Rule.

(ii) Rule 61

Although all the projects included in the list obtained after conducting an annual survey should be included in the register of project taxes, only the businesses that pay fees had been arranged to be included in the register. It was not included about the non-taxable projects in the registers and no legal actions had been taken in this regard.

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(iii) Rule 218

Although an annual survey of land and buildings should be conducted by an appointed board, it had not been so done.

Answers have not been given.

Actions should be taken as per instructions in relevant Rule

(d) Local Government
Circulars

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| (i) | Circular No. 2018/e-local government 01 and dated 19/07/2018 | Citizens had not been facilitated to submit applications and make payments online. | Answers have not been given | Actions should be taken as per circulars |
| (ii) | Section 1.2 ii of Circular No. 2010/02 and dated 30/07/2010 | Although a divisional transfer system should be implemented once in 02 years for officers who find it difficult to do so, it had not been so done. | -do- | -do- |
| (iii) | Circular No. 03/2015 and dated 02/11/2015 | The register of street lights had not been maintained in an updated manner | -do- | -do- |

2. Financial Review

2.1 Financial Results

As per the financial statements presented, revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2023 was Rs. 4,802,960 and correspondance revenue that exceeded the recurrent expenditure of the preceding year was Rs. 6,387,653.

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	Year 2023				Year 2022			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December (from Billed Revenue)	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December (from Billed Revenue)
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates and Taxes	5,569	5,457	4,605	852	5,432	5,520	4,138	1,382
Rents	9,788	8,319	5,241	3,078	20,201	12,135	8,456	3,679
License Fees	728	633	633	-	830	545	545	-
Other Income	22,080	19,257	14,893	4,363	80,370	15,566	724	14,841
Total	38,165	33,666	25,372	8,293	106,833	33,766	13,863	19,902

2.2.2 Performance of Revenue Collection

Audit Observation	Comments of the Secretary	Recommendation
(a) The unrecovered balance of rates as at 31 December of the year under review was Rs 1,454,674.	Agree with the observation.	Actions should be taken to recover the arrears of balances promptly.
(b) Court fines and stamp duty to be received from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2023 were Rs 5,621,131.and Rs 6,431,597respectively.	Agree with the observation.	Actions should be taken to recover the arrears of balances promptly.

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| (c) | Although by-laws regarding parking charges had been enacted in accordance with the Pradeshiya Sabha Act, revenues had not been collected within the Sabha area. | Agree with the observation. | Revenue should be collected within the Sabha area.. |
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3. Operational Review

3.1 Performance of functions assigned by the Act

Audit Observation	Comments of the Secretary	Recommendation
(a) Two budgeted projects with a total value of Rs 1,500,000 for the year under review had remained unfinished during the year under review.	Agree with the observation.	It should be completed promptly.
(b) Even though capital expenditure of and recurrent expenditure totalled to Rs. 11,793,037 had been incurred for solid waste management during the year under review, the income received from the sale of waste was Rs. 191,070 .	Agree with the observation.	Actions should be taken to manage biodegradable and non-biodegradable waste properly and to develop income generation activities.

3.2 Management Inefficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) The value of 12 accounts receivable as at 31 December of the year under review was Rs 28,674,093 .	Agree with the observation	Actions should be taken to recover the balances receivable.
(b) The total value of 05 accounts payable balances as at 31 December of the year under review was Rs.23,251,680.	Agree with the observation	Actions should be taken to settle the balances payable properly and promptly.

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| (c) | The Sabha had lost the opportunity to earn income that could have been earned due to failure of assessing rates property after the year 2012. | -do- | Revenues should be properly earned. |
| (d) | There was an irrecoverable loan balance of Rs.124,560 from 09 employees as at 31 December of the year under review. | Agree with the observation | Employee loan balances should be recovered. |

3.3 Assets Management

Audit Observation	Comments of the Secretary	Recommendation
(a) The Register Fixed Assets had not been maintained for furniture and fittings .	Agree with the observation	Fixed asset records should be maintained up to date.
(b) All street lights owned by the Sabha had not been numbered and had not been included in the information of street lights to the CAT computer system and the Sabha did not have the register of street lights and updated information on tube wells maintained by the Sabha and their functioning.	-do-	Street lights should be updated.
(c) The value of 04 cemeteries handed over to the Sabha and the value of Kadurugahamula pitiya land and two clinic centres had not been assessed and accounted for.	-do-	Land values should be revaluated and accounted for.
(d) Four vehicles maintained by the Sabha, 172 cemeteries and 09 lands with public wells and 09 lands valued at Rs. 11,527,767 and 20 unassessed land assets had not been transferred to the Sabha.	Agree with the observation.	Ownership should be taken over.

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| (e) | Out of 115 tube wells maintained by the Sabha , 05 were inactive. | Agree with the observation. | It should be put to use. |
| (f) | Even though 02 tractors valued at Rs 525,000 at the Pilisaru Center had been recommended for disposal by the Board Survey Committee ,it had not been so done even as at 31 December of the year under review. | Agree with the observation | recommendations of Board of survey should be implemented promptly. |

3.4 Human Resources Management

Audit Observation	Comments of the Secretary	Recommendation
There were 41 vacancies and 26 excesses in the approved staff of the Sabha and 25 employees were hired on casual, substitute, contract or daily allowance basis exceeding the approved staff.	Agree with the observation.	Actions should be taken to maintain the approved staff.

4. Accountability and Good Governance

4.1 Sustainable Development Goals

Audit Observation	Comments of the Secretary	Recommendation
Although 09 Sustainable Development Goals had been identified, the targets and indicators to achieve those goals had not been formally identified.	Agree with the observation.	Adequate methods should be developed and implemented to achieve Sustainable Development Goals.