

Ibbagamuwa Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ibbagamuwa 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 Ibbagamuwa 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 Audit observations on Preparation of Financial Statements

1.6.1 Accounting Deficiencies

| Audit Observation | Comments of the Secretary | Recommendation |
|--|--|--|
| (a) Projects, creditors amounting to Rs.64,526 had not been accounted for as at 31 December of the year under review. | Actions will be taken to correct in the next year. | It should be accurately accounted for. |
| (b) Although 07 projects performed under provincial specific development grants amounted to Rs.854,980 has been reimbursed in the year 2023 for, the amount had been accounted for as project debtors. | -do- | -do- |

| | | |
|--|--|---|
| (c) Fixed deposit interest receivable amounting to Rs.778,904 had not been accounted for. | Actions will be taken to correct in the next year. | It should be accurately accounted for. |
| (d) The value of 05 lands owned by the council was under-accounted by Rs.590,000 . | -do- | -do- |
| (e) Sundry creditors amounting to Rs.153,377 had not been accounted for. | -do- | -do- |
| (f) The value of 30 plots of land amounting Rs. 16,206,000 owned by the Sabha had not been accounted for. | -do- | -do- |
| (g) The value of Rs.8,673,505 of 10 industries had not been capitalized in the year 2023 . | -do- | -do- |
| (h) The value of 05 projects that had been completed for Rs.778,324 in the year 2023 had not been capitalized. | -do- | -do- |
| (i) Four fixed asset items amounting to Rs.1,922,100 purchased in the year 2023 had accounted for as fixed assets and as a store item in the current assets. | -do- | -do- |
| (j) Ten lands and buildings included in the fixed assets register had not been assessed even by the year under review, it had been accounted for as land and buildings . | -do- | Actions should be taken to assess and account for lands and buildings owned by the Sabha. |

1.6.2 Unreconciled Control Accounts

| Audit Observation | Comments of the Secretary | Recommendation |
|--|--|---|
| There was a difference of Rs 53,500 between the balances related to 02 accounting items which totalled to Rs 12,356,376 in the financial statements and the balances shown in the schedules as at 31 December of the year under review,. | The reasons for the differences will be identified and actions will be taken to correct through journal entries. | The reasons for the differences should be identified and corrected. |

1.6.3 Lack of written evidence for audit.

| Audit Observation | Comments of the Secretary | Recommendation |
|---|--|---|
| Eight accounting items amounting to Rs.9,165,071 could not be satisfactorily vouched due to non-submission of required information. | The balances remaining from previous years are also present in this and will be corrected in the future. | The required information should be submitted. |

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 |
|---|--|--|---|
| (a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka | Actions had not been taken in respect of mixed deposits, contract deposits, tender deposits, street stall deposits and water | Actions will be taken to settle mixed deposits, contract deposits and tender deposits of more than 02 years in the | Arrangements should be made according to the Regulations. |

deposits for more than 2024 in terms of period of 02 years Financial valued at Rs. Regulation . 1,043,710 in terms of Financial Regulations.

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|-----|---|---|--|--|
| (b) | Public Administration Circular Letter No. 01/2002 dated 25 February 2002. | Out of 31 vehicles owned by the Sabha , 25 were not printed with the government emblem along with the name of the respective institution. | The necessary actions will be taken in the future. | Actions should be taken to print the name of the institution with the government Emblem. |
| (c) | Section 6 of the National Environment Act No. 47 of 1980(b) and (c) | The Sabha had neglected its responsibility to regulate the environment by not renewing 16 Environmental Protection Licenses that should be renewed in the year 2023 . | It has been informed to get licences. | Arrangements should be made to obtain according to the circular. |

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.57,238,181 and the correspondence revenue that exceeded the recurrent expenditure of the preceding year was Rs. 33,796,101.

2.2 Revenue Administration

2.2.1 Estimated Revenues, Billed Revenues, Accrued Revenues and Accrued Revenues

The information about estimated income, billed income, collected income and arrears for the year under review and the previous year are given below.

| Source of Revenue | Estimated Revenue | Year 2023 | | | Total of Arrears as at 31 December | Year 2022 | | | Total of Arrears as at 31 December |
|-------------------|-------------------|----------------|-------------------|---------------|------------------------------------|-------------------|----------------|-------------------|------------------------------------|
| | | Billed Revenue | Collected Revenue | | | Estimated Revenue | Billed Revenue | Collected Revenue | |
| | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | |
| Rates and Taxes | 4,040 | 40,064 | 5,185 | 4,960 | 4,024 | 4,024 | 5,114 | 6,376 | |
| Rents | 8,336 | 19,639 | 12,366 | 2,909 | 11,300 | 11,783 | 12,856 | 3,396 | |
| License Fees | 1,525 | 1,525 | 1,525 | - | 2,200 | 2,179 | 2,179 | - | |
| Other Income | 102,904 | 88,170 | 365 | 89,259 | 11,315 | 9,550 | 67,046 | 28,652 | |
| Total | 116,805 | 149,396 | 108,441 | 97,128 | 28,839 | 27,536 | 87,195 | 38,424 | |

2.2.2 Performance of Revenue Collection

| Audit Observation | Comments of the Secretary | Recommendation |
|--|---|---|
| (a) The Sabha had not taken actions to collect the existing shop rent of Rs.106,350 related to 15 trade stalls as at 31 December 2023. | Actions are being taken to collect the related arrears. | Actions should be taken to recover the arrears. |
| (b) Although the rates properties should be assessed once in 05 years and rates should be charged accordingly, the properties of the Pradeshiya Sabha had been lastly assessed in the year 2012. | The collection will be done after receiving the relevant reports from the Valuation Department. | A new assessment should be obtained and arrangements should be made to collect the rates. |
| (c) The arrears of lease rent to be recovered from the leasing of 18 assets had been Rs. 2,131,450 and the said rent had not been collected as at 31 December of the year under review. | Conduct a survey regarding arrears and after obtaining the approval of the Honourable Governor, arrangements will be made to write off and collect the uncollectible arrears. | Arrangements should be made to recover arrears. |

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| (d) | The outstanding amount of the Hiripitiya meat shop was Rs. 155,000 and actions had not been taken to recover the money as at the date of audit 31 December 2023 . | The respective arrears will be collected promptly. | Arrangements should be made to recover arrears |
|-----|---|--|--|

3. Operational Review

3.1 Performance of functions assigned by the Act.

| Audit Observation | Comments of the Secretary | Recommendation |
|---|--|---|
| <p>Although the project incurred a capital expenditure of Rs.10,318,653 and a recurrent expenditure of Rs.22,712,931 for the construction of a compost yard and garbage collection for solid waste management in the year under review,the Sabha had failed to complete the project even by 31 December 2023. Accordingly, the compost is not being produced from the collected garbage and it is buried in the solid waste management centre and the collected plastic, card board, polythene was stored in the garbage yard which was temporarily built in the solid waste management centre.</p> | <p>The work of the compost yard built for the purpose of waste management has now been completed and the production of compost will be started in the near future and the non-perishable garbage is being prepared for sale by the bale machine.</p> | <p>Waste should be managed and revenue should be collected.</p> |

3.2 Management inefficiencies

| Audit Observation | Comments of the Secretary | Recommendation |
|--|---|--|
| <p>(a) The weekly fair site, which has been built and completed under the Dayata Kirula Project in Ibbagamuwa town, has not been opened and the fair activities had not been started as at 31 December 2023, and a sum of Rs. 2,385,176 had been spent on water supply, electricity supply, access road preparation etc. for this building from January to 31 December 2023.</p> | <p>This has failed in the face of strong opposition from the traders and at present money is being paid for various sales promotion programmes and arrangements are being made to hold an alternative fair.</p> | <p>Weekly fair should be opened and arrangements should be made to start the weekly fair activities.</p> |
| <p>(b) Even though the period of the agreement of Shop No. 04 at Malsiripura belonging to Gokarella Sub-office had expired on 31 December 2020, as the lessee is still running the shop on the date of audit, actions Hd not been taken as per the agreement.</p> | <p>Since the agreements were not properly made, further works will be done after having the instructions of the Commissioner of Local Government.</p> | <p>It should adhere to the agreement or enter into a new agreement.</p> |

3.3 Operational inefficiencies

| Audit Observation | Comments of the Secretary | Recommendation |
|---|---|--|
| <p>All businesses, projects and professions identified through the survey had not been documented and only such businesses, projects and professions for which license fees are paid had been included in the register.</p> | <p>Agreements had not been entered into properly and according to the new assessment, necessary arrangements are being made to get the contracts done promptly.</p> | <p>All identified businesses should be documented.</p> |

3.4 Asset management

| Audit Observation | Comments of the Secretary | Recommendation |
|--|--|--|
| Actions had not been taken to take over the 19 lands and buildings belonging to the Sabha. | The necessary activities are being carried out to take over the land and buildings belonging to the Pradeshiya Sabha area. | Arrangements should be made to take over the lands and buildings owned by the Sabha. |

3.5 Vehicle Systems Management

| Audit Observation | Comments of the Secretary | Recommendation |
|--|--|--|
| The ownership of 04 vehicles registered in the name of other institutions, that is, a double cab, a gully bowser, a tractor trailer and a car had not been transferred to the sabha. | The necessary arrangements are currently being made to transfer the ownership of the vehicles to this Sabha. | Arrangements should be made to take over the vehicles which are being used by the Sabha. |

4. Accountability and good governance

4.1 Annual Action Plan

| Audit Observation | Comments of the Secretary | Recommendation |
|--|---|--|
| (a) Although the Sabha should have executed 63 projects according to the Annual Action Plan, (Project Sector Sectoral Plan), only 08 projects were completed . A provision of Rs. 14,195,519 had been ,made in the Annual Budget for unfulfilled projects. | Although the activities suggested in the preparation of the plan were included in the Action Plan, in view of the economic crisis the country was facing, it was possible to achieve progress in only 8 activities due to the imposed restrictions. | Actions should be taken in accordance with the Annual Action Plan. |

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| (b) | There were 17 projects valued at Rs.18,884,576 which were not included in the Action Plan of the year under review and provision was had also not been made available for that in the Annual Budget. | These projects were carried out as they were essential development programmes although they were not included in the Action Plan. | The Action Plan should include essential projects and be used as an effective management tool. |
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4.2 Sustainable Development Goals

Audit Observation

The sustainable development objective, sustainable development goals and targets had been identified according to the 2030 agenda and an expenditure of Rs.14,195,519 had been incurred for the implementation of 08 projects to achieve 07 Sustainable Development Goals.

Comments of the Secretary

The implementation of development projects is limited due to various challenges in achieving the Sustainable Development Goals.

Recommendation

Arrangements should be made to achieve Sustainable Development Goals as much as possible.