

Alawwa Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Alawwa 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 Alawwa 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 QualifiedOpinion

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) The value of Rs.298,292 receivable from the North Western Provincial Department of Local Government for the repair of the backo loader had not been accounted for as at 31 December of the year under review as debtors.	Actions will be taken to correct in the future.	It should be accurately accounted for.
(b) The value of hume pipes valued at Rs.243,105 at Maharachchimulla Sub-Office had been not included in the closing stock as at 31	-do-	-do-

December of the year under review.

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| (c) The court fine receivable relating to December of the year under review amounted to Rs.273,500 had not been accounted for. | Actions will be taken to correct in the future. | It should be accurately accounted for |
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1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Secretary	Recommendation
The total of machinery, equipment, furniture and fittings shown in the financial statements was Rs.13,956,799 and as the figure was Rs.16,371,573 according to the Board of Survey Reports, there was a difference of Rs.2,808,828 as at 31 December of the year under review.	Machinery and furniture at all locations will be assessed in the year 2024, and the account balance of machinery and equipment belonging to the Sabha will be corrected accordingly.	Relevant differences should be identified and documents should be corrected and accounts should be corrected.

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	F.R. 371 (3)	An advances of Rs.78,385 received on two occasions had not been settled as at December 31 of the year under review.	Comments have not been made. Actions should be taken should be in terms of the above Regulations.

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.2,171,327 and the correspondence revenue that exceeded the recurrent expenditure of the preceding year was Rs. 36,877,344.

2.2 Financial Control

Audit Observation	Comments of the Secretary	Recommendation
There was a difference of Rs. 232,536 between the balance of the cash book and the balance of the bank reconciliation prepared as at that date according to the financial statement as at 31 December 2023 .	It was discussed in the Audit Committee held on 17 August 2023 and it has been sent to the approval of the Commissioner of Local Government to correct the difference accordingly .	It should be accurately adjusted in the accounts.

2.3 Revenue Administration

2.3.1 Estimated Revenues, Billed Revenues, Collected Revenues and Arrears of 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	Year 2023				Year 2022			
	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
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Rates and Taxes	8,071	7,941	7,942	2,011	7,861	6,442	5,432	2,012
Rents	10,786	1,148	949	207	9,686	9,544	9,536	8
License Fees	1,020	880	880	-	600	1,021	576	-
Other Income	89,437	37,083	37,083	-	61,253	44,084	44,084	-
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Total	109,314	47,052	46,854	2,218	79,821	60,646	59,628	2,020
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2.3.1 Performance of Revenue Collection

Audit Observation	Comments of the Secretary	Recommendation
(a) An amount of Rs.960,800 from the arrears of rates and tax amounted to Rs.2,012,165 remained at the beginning of the reviewed year and an amount of Rs.1,049,684 from the billing amount of Rs.7,941,255 remained at the beginning of the reviewed year had not been collected.	Actions will be taken to collect the arrears of revenue in the future.	Actions should be taken to recover arrears of revenue and billed revenue.

3. Operational Review

3.1 Management inefficiencies

Audit Observation	Comments of the Secretary	Recommendation
Although the Pradeshiya Sabha had issued 68 building compliance certificates, from the year 2019 to 31 December 2023 only 05 buildings had been assessed and levied rates and actions had not been taken to get assessed 63 buildings and levy rates .	Actions have been taken to send the relevant building plan to the Valuation Department to amend the rates assessment amount of one person who obtained the compliance certificate in the year 2022.	Actions should be made to increase rates revenue.

3.2 Asset Management

Audit Observation	Comments of the Secretary	Recommendation
Aarrangements had not been made to take over 14 lands which are being used by the Sabha even by the year under review,	Actions are being taken to take over.	Actions should be taken as per Section 2.4.1 of the Grant and Disposition of State Lands Ordinance No. 08 of 1947 and to acquire it.

3.3 Vehicle Systems Management

Audit Observation	Comments of the Secretary	Recommendation
(a) According to Section 1645(d) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, although the driver in charge of the vehicle should make all the entries in the daily running chart immediately after completing each journey, there was a difference of 4,209 km and 68 meter hours between the milo meter of as per the running chart and the vehicle's milometer respectively in 03 vehicles and 02 tractors owned by Alawwa Sabha during the on-site inspection conducted on 30 October 2023 .	It is accepted that there is a discrepancy between the milometer and the mileage and corrections will be made accordingly.	Actions should be taken in terms of above Financial Regulations.
(b) The ownership of 04 vehicles used by the Sabha but registered in the name of other organizations had not been taken over to the Sabha even by the year under review.	Actions are being taken to take over.	Arrangements should be made to take over the vehicles which were not transferred to the Sabha.

4. Accountability and good governance

4.1 Annual Action Plan

Audit Observation	Comments of the Secretary	Recommendation
According to the Annual Action Plan, (Project Sector Sectoral Plan) although the Sabha was supposed to execute 66 projects, only 25 projects were executed. A sum of Rs. 21,940,000 had been allocated in the Annual Budget for projects that were not completed.	Actions will be taken to implement in the future under the relevant budget heads according to the Action Plan.	The projects contained in the Annual Action Plan and provided budgetary provisions should be carried out.

4.2 Environmental Issues

Audit Observation

Although the Sabha has a waste management centre, though there is no standardized recycling system to dispose of the gulley waste, the Sabha had taken actions to use the Gulley truck in the Sabha area to remove the waste by digging a hole in the garbage recycling centre and to put waste.

Comments of the Secretary

During the year, about 87 gulley trucks were put into suction, and disposal is not done daily and disposal is done after suction.

Recommendation

The waste should be disposed of in such a way as to protect the environment.