

Giribawa Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Giribawa 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 Giribawa 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 Pradeshia 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 Pradeshia 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) According to the Board of Survey Report of the year under review, the asset value of Rs.535,660 had not been accounted for. | Accept. | Assets should be accurately accounted for. |
| (b) Although the aggregate value of the plant and equipment accounts owned by the Sabha was Rs. 213,707,809, the balance of the income contribution to capital investment account was Rs.213,577,815 . | -do- | It should be accurately accounted for. |

1.7 Non-compliance

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

| Reference to Laws, Rules, Regulations, Management Decisions etc. | Non-compliance | Comments of the Secretary | Recommendation |
|--|----------------|---------------------------|----------------|
| Pradeshia Sabha (Financial and Administrative) Rules | | | |

Rule 218 An annual survey of land and buildings had not been conducted by a Board Survey. Agree with the observation. Actions should be taken as per the Rule .

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. 321,967 and as correspondence revenue that exceeded the recurrent expenditure of the preceding year was Rs. 1,792,758.

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) |
| | Rs000. | Rs000. | Rs000. | Rs000. | Rs000. | Rs000. | Rs000. | Rs000. |
| Rates and Taxes | 650 | 748 | 748 | 0 | 515 | 463 | 463 | 0 |
| Rents | 2,831 | 3,457 | 3,458 | 0 | 2,821 | 2,899 | 2,899 | 0 |
| License Fees | 622 | 356 | 356 | 0 | 622 | 586 | 586 | 0 |
| Other Income | 12,657 | 8,138 | 8,138 | 0 | 8,436 | 9,507 | 9,507 | 0 |
| | 16,760 | 12,699 | 12,700 | 0 | 12,394 | 13,455 | 13,455 | 0 |

2.2.2 Performance of Revenue Collection

| Audit Observation | Comments of the Secretary | Recommendation |
|--|-----------------------------|--|
| Court fines receivable from the Chief Secretary of the Provincial Council and other authorities from August to December 2023 was Rs 1,561,208 and stamp duty receivable for the year 2023 was Rs 1,430,000 . | Agree with the observation. | Actions should be taken to collect arrears of balances promptly. |

3. Operational Review

3.1 Management Inefficiencies

| Audit Observation | Comments of the Secretary | Recommendation |
|---|-------------------------------|---|
| (a) The value of balances of 04 accounts receivable as at 31 December of the year under review was Rs.6,128,138 . | Comments have not been given. | The balance receivable to the Sabha should be recovered promptly. |
| (b) The value of balances of 05 accounts payable as at 31 December of the year under review was Rs 4,973,056. | -do- | Balances payable should be settled promptly in a formal manner. |
| (c) There was a balance of receivable amounting to Rs.31,200 of the officers had been transferred as at the end of the year under review. | Agree with the observation. | Employee loans should be recovered promptly. . |

3.2 Idle or underutilized property, plant and equipment

| Audit Observation | Comments of the Secretary | Recommendation |
|---|-----------------------------|---|
| (a) The Compost Fertilizer Unit of Niraviya Solid Waste Management Center which was built by the Sabhal at a cost of Rs 6,857,633 in the year 2019 had remained idle since its inception without any use. | Agree with the observation. | Before commencing a project, a feasibility study should be done and satisfied about its need. |
| (b) The interlocking concrete block project undertaken by the Sabha had been abandoned without the obtaining desired output. | Agree with the observation. | The expected outcomes of the project should be achieved. |

3.3 Assets Management

| Audit Observation | Comments of the Secretary | Recommendation |
|--|----------------------------------|--|
| (a) The Sabha had not maintained Register of Assets for furniture and machinery assets. | Agree with the observation. | Register of Assets should be maintained up to date. |
| (b) The ownership of a jeep and a cab used by the Sabha, the ownership of 11 lands and the ownership of 30 cemeteries had not been transferred to the Sabha. | Agree with the observation. | Ownership of the assets belonging to the Sabha should be taken over. |
| (c) The water bowser, valued at Rs. 250,000 owned by Sabha, was decaying for about 06 years. | Agree with the observation. | Actions should be taken to utilize the idle assets. |

3.4 Human Resource Management

| Audit Observation | Comments of the Secretary | Recommendation |
|---|----------------------------------|--|
| The number of vacancies in the approved staff of the Sabha was 15 and excess was 14 and actions had not been taken to fill the vacancies. | Agree with the observation. | The staff requirement should be reviewed periodically. |

4. Accountability and Good Governance

4.1 Internal Audit

| Audit Observation | Comments of the Secretary | Recommendation |
|--|----------------------------------|---|
| The Internal Audit Unit of the Sabha was established and an officer was appointed for its duties. A proper and sufficient audit had not been conducted on activities of the Sabha. | Accept. | An internal audit covering all areas should be conducted and reports should be submitted. |

4.2 Budgetary Control

| Audit Observation | Comments of the Secretary | Recommendation |
|--|----------------------------------|---|
| There were variations of 22 to 233 per cent between estimated and actual revenue in 06 revenue items and more than 26 per cent variation between estimated provision and actual expenditure in 03 expenditure items. | Agree with the observation | Estimates should be prepared as rationally as possible. |