

Pujapitiya Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Pujapitiya Pradeshiya Sabha for the year ended 31 December 2022 comprising the balance sheet as at 31 December 2022 and the income and expenditure account, and other explanatory information, including a summary of significant accounting policies, 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 Pradesiya Sabha Act, No.15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Pujapitiya Pradeshiya Sabha as at 31 December 2022, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified Opinion

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

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 this 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 Generally Accepted Accounting Practices, 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 Sub-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 to be prepared.

1.4 Scope of Audit (Auditor's Responsibility in Auditing 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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 the 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 the Pradeshiya Sabha 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

Special provisions are included in the National Audit Act, No. 19 of 2018 with respect to the following requirements.

- The Financial Statements of the Pradeshiya Sabha are consistent with that of the preceding year as required by Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- The recommendations made by me during the previous year are included in the financial statements presented as required by Section 6(1)(d)(iv) of the National Audit Act No. 19 of 2018.

1.6 Audit Observations on the Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) The stamp duty receivable for the year under review had been understated by Rs.7,506,175 in the accouts.	Once the related schedules are received, computation will be correctly made.	Accuracy should be ensured in the accounting process.
(b) The contributory pension payable to the Department of Pensions as at the end of the year under review had been understated by Rs.49,505 in the accounts.	A clarification on the breakdown of the balance of the Department of Pension has not been made.	-Do-

1.6.2 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
Due to the failure to submit schedules, reports on the survey of stores, files and balance confirmations to the audit, 03 items of account worth Rs. 15,572,183 as at 31 December of the year under review could not be satisfactorily examined.	Relevant items could not be identified and the Sabha lacks the deeds for the lands and buildings.	Schedules, reports on the survey of stores, files and balance confirmations should be obtained.

1.7 Non-compliance

Non-compliance with laws, rules, regulations and management decisions

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

	Reference to laws, rules, regulations etc.	Non-compliance	Comment of the Sabha	Recommendation	
(a)	Rule 218 of the Pradeshiya Sabha (Financial and Administration) Rules 1988.	A survey on the lands and buildings had not been conducted after the year 2019.	Action will be taken to conduct a survey.	Action should be taken in accordance with the rules.	
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	Financial Regulation 571(3)	Ten lapsed deposit balances amounting to Rs. 734,573 had not been settled.	Action will be taken to settle it in the future.	Action should be taken in accordance with the Financial Regulations.
(c)	Circular No.2016/03 dated 17 March 2017 of the Commissioner of Local Government, Central Province.	Two stalls of the public market of the Sabha had been subleased.	Action will be taken in accordance with the circular in the future.	Action should be taken in accordance with the circular.	

- (d) Letter No. Without the approval, a Payments had been Action should be
CPC/CLG/1/7 daily allowance of Rs.300 made subject to the taken in
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September 2019 of the officers who were working Chairman and the the circular
Commissioner of Local institutionally and obtaining Secretary of the instructions.
Government, Central travelling expenses for field Sabha.
Province. visits and Rs. 67,200 had
been so paid from the year
2019 up to the end of the
year under review.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 11,558,476 as at 31 December 2022 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 16,337,527.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

According to the information submitted by the Chairman, the particulars on the estimated revenue, billed revenue, collected revenue and outstanding revenue relating to the year under review and the preceding year, are as follows.

Source of Revenue	2022				2021			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	4,306,980	4,361,957	4,447,458	3,659,235	5,432,980	5,779,759	4,995,307	3,744,736
(ii) Rents	5,129,648	4,381,873	4,980,127	298,198	4,694,690	4,838,971	4,517,499	896,452
(iii) License Fees	2,702,050	2,485,635	2,485,635	-	2,005,200	980,440	1,243,240	-
(iv) Other Revenue	25,643,240	13,733,285	30,785,522	15,488,533	22,275,000	19,361,802	23,748,841	32,540,770
	37,781,918	24,962,750	42,698,742	19,445,966	34,407,870	30,960,972	34,504,887	37,181,958

2.2.2 Performance in the Collection of Revenue

Audit Observation	Comment of the Sabha	Recommendation
<p>(a) Rates The outstanding balance of rates by the end of the year under review amounted to Rs. 3,641,267 and action had not been taken to recover an arrears of rates totalling Rs.842,982 due from 74 rating units with the arrears exceeding Rs.5,000 per unit in terms of Section 158 of the Pradeshiya Sabha Act No.15 of 1987 and Rules 33-35 of the Pradeshiya Sabha (Financial and Administration) Rules of 1988.</p>	Arrangements have been made to recover the arrears of revenue.	Arrears of revenue should be recovered.
<p>(b) Court Fines and Stamp Duty The court fines and stamp duty receivable from the Chief Secretary of the Provincial Council and the other authorities as at 31 December of the year under review amounted to Rs.528,068 and Rs.12,988,872 respectively.</p>	Provisions have not been received as yet.	Court fines and stamp duty should be recovered.

3. Operating Review

3.1 Execution of duties entrusted by the Act

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act , being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

Audit Observation	Comment of the Sabha	Recommendation
<p>(a) Twenty–three development schemes for which provisions of Rs. 15,575,000 were made by the annual budget for the activities such as development of roads, drains, buildings etc. had not been carried out during the year under review.</p>	These schemes could not be implemented subject to the circular provisions.	Action should be taken to implement the budget proposals.

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| (b) | Although Rs.1,340,243 had been spent as at the end of the year under review for 04 projects with a total estimate of Rs. 4,000,000 and shown in the Action Plan, expected output level had not been achieved. | Projects were suspended due to economic crisis. | Projects should be completed and utilized. |
| (c) | Although Rs.400,000 had been paid to the Land Reformation Commission in the year 2013 as the survey and transfer charges of the Enasalmadama land proposed for the waste management, that land had not been taken over and utilized for the waste management activities even by the date of the audit. | A problematic situation has arisen in transferring lands. | Waste management process should be implemented by taking over the land. |
| (d) | Without being utilized the recurrent revenue of the Sabha for the public health, public utility services, public wellbeing, welfare and regional development activities, a sum of Rs.41,664,404 had been invested in the fixed deposits by the end of the year under review and a balance of Rs.34,742,243 in the People's Bank Account remained idle. | It is expected to use the funds for the public utilities in the future. | Additional funds should be utilized for regional development activities. |

3.2 Identified Losses

Audit Observation

Action had not been taken to recover the balance of the cab repair account amounting to Rs.109,952 continued to exist since the year 1994.

Comment of the Sabha

Action will be taken to recover the balance.

Recommendation

Receivables should be recovered.

3.3 Management Inefficiencies

Audit Observation

- (a) Two receivable balances as at 31 December of the year under review totalled Rs.11,466,468, of which the balances totalling Rs.47,918 related to a period from 03 to 05 years and the balances totalling Rs.1,945,067 continued to exist for more than 05 years had not been recovered.

Comment of the Sabha

Action will be taken to settle the relevant balances.

Recommendation

Receivable balances should be recovered.

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| (b) | There was an industrial creditors balance of Rs.22,484,868 as at 31 December of the year under review, of which the balances totalling Rs.11,891,273 related to a period from 01 to 05 years and the balances totalling Rs.597,804 continued to exist for more than 05 years had not been settled. | Action will be taken to settle the relevant balances. | Payable balances should be recovered. |
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3.4 Idle or Underutilized Property, Plant, and Equipment

Audit Observation	Comment of the Sabha	Recommendation
Four vehicles and 02 items of machinery worth Rs.14,426,024 and 01 vehicle, of which the value could not be identified, remained idle and underutilized over a period ranging from 01 to 07 years.	Action will be taken to repair or dispose of such items.	Action will be taken to repair and utilize or dispose of them.

3.5 Human Resource Management

Audit Observation	Comment of the Sabha	Recommendation
Cadre vacancies and excesses		
(a) When comparing the approved cadre and the actual cadre, there were 25 vacancies in 12 position, while there were 10 excess cadre in one position.	Vacancies have occurred due to the implementation of government policies and the attachment of Development Officers resulted in the excess cadre.	Action should be taken to fill the vacancies and to approve the staff.
(b) Loan balance of Rs.392,050 due from three transferred officers and the officers who vacated the service had not been recovered.	Information has been sent to the Provincial Treasury	Loan balances should be recovered.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comment of the Sabha	Recommendation
When comparing the estimated income and expenditure of the budget prepared for the year under review with the actuals, variations ranging from 30 per cent to 71 per cent were observed relating to 04 items of income, while	Expenditures had to be control in accordance with the Government Expenditure Management Circular, 2022.	The budget should be prepared with due regard in keeping with the necessities.

variations ranging from 65 per cent to 98 per cent were observed in relation to 15 items of expenditure. Any expenditure had not been incurred from provisions of Rs. 2,315,000 allocated for 21 Objects. Accordingly, the budget had not been made use of as an effective instrument in control.

4.2 Sustainable Development Goals and Targets

Audit Observation	Comment of the Sabha	Recommendation
Despite being identified the sustainable development goals and targets by the Sabha in terms of provisions of the Sustainable Development Act, No.19 of 2017, they had not been achieved.	These could not be implemented due to the economic crisis and the Covid epidemic.	Action should be taken to identify and implement the sustainable development goals and targets.