

Giribawa Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Giribawa Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022, statement of financial operations, statement of changes in equity, cash flow statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 2022, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practices for Local Authorities

1.2 Basis for Qualified Opinion

I express qualified opinion 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 Generally Accepted Accounting Principles, 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 the Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Items with very small value and short life that cannot be resold and cashed had been entered in the fixed assets account without being recognized it as a fixed asset as per a minimum value to be accounted for as a fixed asset and depending on the nature and life of the asset.	Actions will be taken to correct.	Actions should be taken to accurately account for.
(b) The expenditure had been understated as the difference between the opening and closing balances of the scrap store debited to contribution to capital investment account by 57 journal entry.	There is a value that has been brought up since before 2014 as the balance of the scrap store. Accordingly, it will be corrected in the future.	-do-

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Sabha	Recommendation
There were discrepancies between the values of Rs.3,945,433 in the financial statements and the schedules to financial statement in respect of 04 items as at 31 December of the year under review.	Actions will be taken to be corrected by journal entries in the future.	Actions should be taken to accurately account for.

1.7 Non –compliances

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

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions are shown below.

Reference to Laws, Rules, Regulations Management Decisions etc.	Non-compliance	Comments of the Sabha	Recommendation
(a) Pradeshiya Sabha (Finance and Administration) Rules, 1988			
(i) Rule 59	A survey had not been carried out on trade licences, business taxes and industrial taxes for the year under review.	Actions will be taken to rectify the defects.	Actions should be taken as per the instructions in relevant Rule.
(ii) Rule 218	Although a survey of fixed assets including land and buildings should be carried out annually by an appointed Board, it had not been so done.	The process has been delayed until the instructions of the Commissioner of Local Government is received.	-do-

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 2022 was Rs. 1,792,758 and the recurrent income exceeding the expenditure of the preceding year was Rs. 1,966,795 .

2.2 Revenue Administration

2.2.1 Estimated Revenues, Billed Revenues, Collected Revenues and Arrears of Revenues

The estimated income, billed income, collected income and arrears of revenue presented for the year under review and the previous year are as follows.

Source of Revenue	2022				2021			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December (From billed revenue)	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December (from billed revenue)
	Rs. 000,	Rs. 000,	Rs. 000,	Rs. 000,	Rs. 000,	Rs. 000,	Rs. 000,	Rs. 000,
(i) Rates and Taxes	15	76	76	0	15	-	15	0
(ii) Rents	1,887	1,989	1,865	124	2,206	1,399	967	432
(iii) License Fees	112	972	972	0	100	867	867	0
(iv) Other Income	9,369	14,196	10,513	3,683	3,500	3,500	1,486	2,013
Total	11,383	17,233	13,426	3,807	5,821	5,766	3,335	2,445

2.2.2 Revenue Collection Performance

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Lease Rent A lease rent amount of Rs. 96,260 to be received in respect of leases which is an outstanding balance of more than 5 years on annual tenders of the Sabha had to be recovered.	The lessee has agreed to pay Rs.4000 in installments each.	Actions should be taken to recover the arrears of lease rent promptly.

(b) Court fines and stamp duty

The court fines and stamp duty receivable from the Chief Secretary of the Provincial Council and Other Authorities as at 31 December 2022 were amounted to Rs. 5,674,000 and Rs.1,153,627 respectively.

Actions will be taken to recover in future.

Arrangements should be made to bring it in as soon as possible.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation

Comments of the Sabha

Recommendation

The value of payable balances of 05 accounts was Rs.60,871,846 as at 31 December of the year under review and the total account balance in relation to the period from 1 to 5 years was Rs.60,871,846 .

As the industrial creditor balances and tender deposits can be refunded after the lease period of the property is over, it cannot be refunded until the end of the lease term.

Actions should be taken to settle the balances payable.

3.2 Asset Management

Audit Observation

Comments of the Sabha

Recommendation

(a) Assets not Acquired

Actions had not been taken to transfer the ownership of jeep and cab used by the Sabha and 34 land buildings and burial grounds assets owned by the Sabha in name of the Sabha even by 31 December of the year under review.

The Director, District Health Service and the Ministry of Provincial Council have been requested to transfer the jeep and the cab respectively.

Arrangements should be made to take over.

(b) Failure to ensure Security of Assets

Most of the cemeteries owned by the Sabha had not been properly secured with security fence boundaries.

Actions will be taken to arrange boundaries for cemeteries

Arrangements should be made to ensure the security of assets.

(c) Failure of Documentation of Assets

The Sabha had not maintained Registers of Assets for fixed assets such as furniture and equipment and machine and machineries and the Register Fixed Assets for Vehicles had not been updated.

Actions will be taken to correct the defects.

All the assets should be documented and maintained in an updated manner.

3.3 Idle/Underutilized Assets

Audit Observation	Comments of the Sabha	Recommendation
The water bowser owned by the Sabha was decaying without being used for about 05 years and out of the 146 tube wells owned by the Sabha, 69 tube wells were inactive. Further, the garbage truck reserved for the collection of garbage belonging to the Sabha had not been utilized in the year 2022 .	The garbage trailer is used when necessary.	Actions had not been taken to repair the assets which can be used and dispose of idle assets.

3.4 Human Resource Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Employee vacancies and Excesses There were 01 vacancy in the tertiary level, 06 vacancies in the secondary level and 09 vacancies in the primary level as at 31 December of the year under review.	Audit observations are accurate.	Actions should be taken to fill the vacancies.
(b)	Employee Loans There was an irrecoverable employee loan balance totalled to Rs.31,199 as Rs.17,100 to be collected from a dismissed officer and Rs.14,099 to be collected from a deceased officer as at 31 December of the year under review.	Actions will be taken to recover employee loan arrears.	Actions should be taken to outstanding loan balances.

4. Accountability and Good Governance

Budgetary Control

	Audit Observation	Comments of the Sabha	Recommendation
	There was a variation from 57 to 89 per cent between estimated and actual income in 02 income items and due to the variation from 32 to 92 per cent between the estimated allocation and the actual expenditure in 04 expenditure items, the Budget had not been made use as an effective management control tool.	Actions will be so taken accordingly in the future.	A proper budgetary control should be maintained.