

## **Kolonna Pradeshiya Sabha - 2023**

-----

### **1. Financial statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Kolonna Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the comprehensive income statement, cash flow statement, statement of changes in equity, significant accounting policies and the summary of other explanatory 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 the sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and 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, because of the significance of the matters described in paragraph 1.6 of this report, the financial statements do not give a true and fair view of the financial position of the Kolonna Pradeshiya Sabha as at 31 December 2023 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

#### **1.2 Basis for Qualified Opinion**

My opinion is qualified based on the matters described in paragraph 1.6 of this report in respect of the financial statements.

My opinion is qualified 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 the 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 financial reporting process of the Pradeshiya Sabha.

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 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 misstatements, 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 a part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism 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 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 contents of the financial statements including the disclosures and whether the financial statements represent the underline 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements

- (a) As per requirement mentioned in Section 6(1) (d) (iii) of the National Audit Act No. 19 of 2018, the financial statement of the Pradeshiya Sabha is corresponded with financial statements of the previous year.
- (b) The recommendations made by me during the previous year are included in the financial statements as requirement by Section 6 (i) (d) (iv) of the National Audit Act No. 19 of 2018 except observations (i), (ii), (iii) in paragraph (j) in 1.6.1 of this report.

## 1.6 Audit Observations on Preparation of Financial Statements

### 1.6.1 Accounting deficiencies

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) The value of 02 auctioned vehicles Rs.315,000 had not been removed from the accounts.	Will be corrected it while preparing the final account of the year 2024.	It should be accounted for properly.
(b) Rs.1,173,146 of library books, machinery and sunk costs had not been capitalized.	-Do-	- Do -
(c) According to the financial statements, the value of the Motor vehicle was Rs.8,209,537 more than the value of the Motor vehicle according to the valuation done in the year 2020.	-Do-	- Do -
(d) Employee loan interest income of Rs.206,825 had been incorrectly credited to the employee loan account.	-Do -	-Do -
(e) Fixed deposit interest amounting to Rs.234,002 had been credited to the deposit interest receivable account instead of crediting the interest income account.	- Do -	- Do -
(f) Due to incorrect journal entries, the outstanding capital assistance balance had increased by Rs.10,581,262.	- Do-	- Do-
(g) Industry debtors related to previous years had been Rs.25,633,709 more in the year 2023.	- Do -	- Do -

(h)	Last year's transmission tower income and billboard fees of Rs.70,850 had been accounted as income for the year 2023.	- Do -	- Do -
(i)	There was a difference of Rs.1,093,303 between the balances according to the financial statements of 07 accounting subjects and the balances of the subsidiary books.	- Do -	- Do -
(j)	The following accounting deficiencies pointed out by the Auditor General's report in the year 2022 had not been corrected by the financial statements of the year 2023.	- Do -	- Do -
(i)	The cost of a compost yard was over-capitalized by Rs.573,787.	- Do -	- Do -
(ii)	Rs.1,164,487 worth of vehicle yard, machinery and timber had not been capitalized.	- Do -	- Do -
(iii)	Rs.110,525 had been accounted for wages in respect of workers' daily wage payment as wages and Members' allowances.	- Do -	- Do -

## 1.6.2 Absence of written evidence for audit

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
No detailed schedule was submitted regarding the outstanding balance of capital assistance amounting to Rs.48,222,679 at the end of the year under review.	Will be corrected while preparing the final account of the year 2024.	Detailed schedules should be prepared.

## 1.7 Non-compliance

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

<b>Non-compliance</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
As per Financial Regulation 371 (5), an advance of Rs.33,000 given in the year 1998 had not been settled.	Will be taken action to correct it in 2024	Action has to be taken according to the Financial regulations.

## 2. Financial review

### 2.1 Financial results

According to the presented financial statements, the income exceeding the recurring expenditure of the council for the year ending 31 December, 2023 was Rs.5,517,080, and correspondingly the income exceeding the recurring expenditure of the previous year was Rs.7,947,409.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenues, Billed Revenues, collected Revenues and Outstanding Revenues

According to the information presented by the Secretary, the following is the information about the estimated income, billed income, collected income and arrears related to the year under review and the previous year.

Revenue Source	<u>2023</u>				<u>2022</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Deficit as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Deficit as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assessment tax	825,300	1,265,384	1,326,984	299,419	753,700	1,055,365	1,118,915	360,729
Rent	5,920,568	3,972,898	4,103,143	276,034	5,165,914	3,624,433	3,494,522	2,443,126
Licence Fee	5,704,200	3,560,234	3,560,234	-	1,115,500	973,580	973,580	-
Other incomes	<u>7,746,542</u>	<u>8,398,301</u>	<u>8,398,301</u>	<u>-</u>	<u>3,316,542</u>	<u>3,316,542</u>	<u>1,046,258</u>	<u>-</u>
	<u>20,196,610</u>	<u>17,196,817</u>	<u>17,388,662</u>	<u>575,453</u>	<u>10,351,656</u>	<u>8,969,920</u>	<u>6,633,275</u>	<u>2,803,855</u>

#### 2.2.2 Revenue collection performance

	<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a)	Assessment tax collection from gazetted developed areas in the year 2020 had not been done till December 2023.	After assessing the property in those areas, Will be collected the assessment tax.	Revenue receivables should be collected promptly.
(b)	29 land lease units owned by the council had been given since 1983 without entering into a contract. After the year	Will be taken action to implement the new rates of land tax assessments.	Arrangements should be made for contracting and

2010, there was no revision of the assessment fees of those properties.

revision of assessment fees.

- (c) A sum of Rs.76,259 which was the processing fee had been charged less for 04 transmission towers and a building application that were built in the year 2021.

Once the relevant by-laws are approved by the Governor and gazetted, the fees will be charged accordingly.

Arrangements should be made to collect the due fees.

### 3. Operational review

#### 3.1 Solid waste management

##### **Audit Observation**

A hauler with a capacity of 6,000 kg had been purchased in December 2021 for Rs.1,575,000 while the amount of biodegradable waste collected daily was approximately 140 kg. It had been implemented only once in 02 years due to insufficient garbage collection. Also, the chipper machine and the baler machine, which totaled Rs.1,520,000 have been unused for several years.

##### **Comments of the Council**

Since the waste management activities will have to be expanded in the future, machinery has been purchased accordingly. Presently compost production has started and baler machine is also in use.

##### **Recommendation**

Assets should be utilized effectively.

#### 3.2 Operational inefficiencies

##### **Audit Observation**

As the water in the Kolonna Water Project is unfit for drinking, the Kolonna Health Medical Officer had given instructions to disinfect the water supply and to clean the water storage points once a week, but action had not been acted accordingly. After February 2017, there was no water quality inspection for the Buluthota water project.

##### **Comments of the Council**

As the water provided by the project is not suitable for drinking, the water consumers have been informed to follow hygienic measures. Drinking water facilities have also been provided to Kolonna area by the Water Supply Board.

##### **Recommendation**

Action is taken to Follow the instructions of the medical officer of health.

### **3.3 Assets Management**

#### **Audit Observation**

About 02 rude lands which Kolonna Public Toilet was located has been abandoned and it is being taken over by an unauthorized person.

#### **Comments of the Council**

Arrangement is made to aquire Land legally after completion of Surveying

#### **Recommendation**

Arrangements should be made to confirm the legal ownership of the land.

### **3.4 Deficiencies in contract administration**

#### **Audit Observation**

The required quality of the concrete work done at a cost of Rs.1,926,442 on 02 roads was not confirmed by the quality tests.

#### **Comments of the Council**

Supervision of technical officer has received. So there is no need to re-test.

#### **Recommendation**

Quality tests should be carried out for concrete work.