

## **Padawiya Pradeshiya Sabha for the year ended 31 December - 2022**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of Padawiya Pradeshiya Sabha for the year ended 31 December 2022 comprising the statement of assets and liabilities as at 31 December 2022 and the statement of comprehensive income, statement of changes in net assets / equity and cash flow statement for the year then ended, and notes to the financial statements, 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 Subsection 172 (1) of the Pradeshiya Sabhas 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 reported 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 accompanying financial statements give a true and fair view of the financial position of Padawiya Pradeshiya Sabha as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standard for Local Authorities.

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

My opinion is qualified 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 Standard for Local Authorities 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 all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Pradeshiya Sabha.

#### **1.4 Audit Scope (Auditor's Responsibility for the Audit of the 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 to identify and assess the risk 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 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 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

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 all 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

	<b>Audit Observations</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a)	Shop rents had been understated by Rs.22,000 in the year under review.	Accepted	The correct value should be accounted.
(b)	Pipe water sales had been overstated by Rs.12,246 in the year under review.	-Do-	-Do-
(c)	The glass almirah valued at Rs.79,800 and received from the Department of Local Government as donations in the year under review had been accounted as an expenditure instead of accounting it as an asset.	-Do-	Assets should be identified and accounted properly.
(d)	An expense of Rs.484,859 in the year 2021 the paddy stores Kuttigal road construction project had been accounted two times.	-Do-	The correct value should be accounted.
(e)	The value of 32 stalls amounting to Rs.6,970,589 constructed under the provision of the "Discussion with the Village" Programme had not been accounted.	-Do-	-Do-
(f)	Capital grants recognized in the income of the year under review had been overstated by Rs.419,293.	-Do-	-Do-

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| (g) | Since the opening balance of capital grants amounting to Rs.24,362,601, which had not been included in the surplus and deficit as at 01 January 2022 in the statement of changes in equity for the year ended 31 December 2022, had not been indicated, the closing balance had been reduced by that value. | -Do- | -Do- |
|-----|---|------|------|

### 1.6.2 Unreconciled Control Accounts or Records

Audit Observations	Comments of the Council	Recommendation
Even though the opening balance of the accumulated fund had been Rs.367,860,684 as at 01 January 2022, it had been Rs.352,543,697 according to the statement of changes in equity, and as a result, there had been a difference of Rs.15,316,987.	Accepted.	Schedules should be reconciled with the corresponding records.

### 1.6.3 Documentary Evidences not made available for Audit

Audit Observations	Comments of the Council	Recommendation
(a) Evidence such as journal entries had not been submitted as to what had been the adjusted value of Rs.3,504,730 for the year under the adjustment head in the cash flow statement of the year under review.	Accepted.	Confirmations should be submitted.
(b) Evidence as to what had been the incorrect value of Rs.13,329,875 in the previous period of the statement of changes in equity as at 31 December 2022.	-Do-	-Do-

- (c) Due to non-submission of a schedule related to the lands valued at Rs.228,670,000, land transfer records, information on land survey and legal documents, they could not be satisfactorily examined during the audit. -Do- -Do-

## 1.7 Non-compliance

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

The instances of noncompliance to laws, rules, regulations and management decisions are mentioned below.

	<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	Public Finance Circular No. 02/2015 dated 10 July 2015	Necessary action had not been taken in relation to 06 unusable vehicles.	I will do these functions as soon as a mechanical engineer arrives.	Action should be expedited.
(b)	Letter of the Commissioner of Local Government of the North Central Province bearing No. NCP/LG/IF/04/04/2020 dated 22 August 2020	The amount of Rs.221,330 to be charged for hiring the J.C.B machine in the year 2022 had not been recovered.	I will take action to recover.	-Do-

## 02. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the expenditure, which had exceeded the revenue of the Sabha for the year ended 31 December 2022 was Rs.5,023,369 and the corresponding expenditure, which had exceeded the revenue in the previous year had been Rs.1,596,089.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Revenue Arrears

Information about estimated revenue, billed revenue, collected revenue and revenue arrears for the year under review and for the previous year is mentioned below.

2022

2021

Revenue Source	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.
(i) Assessment tax	1,655,600	1,495,450	1,533,900	605,000	1,421,400	1,752,270	1,108,820	643,450
(ii) Rents	6,391,400	3,899,085	3,465,685	448,600	5,803,000	2,338,632	2,322,432	15,200
(iii) License Fees and Services	3,367,500	1,864,352	1,692,960	214,642	2,804,720	1,719,462	1,676,462	43,250
(iv) Other Revenue	8,742,500	7,822,602	7,697,834	1,377,495	7,462,300	6,111,690	6,013,270	1,252,727
	20,157,000	15,081,489	14,390,379	2,645,737	17,491,420	11,922,054	11,120,984	1,954,627

### 2.2.2 Performance in the Collection of Revenue

The observations in relation to the performance of the collection of revenue of the Sabha are mentioned below.

Audit observation	Comments of the Council	Recommendation
(a) Rates and Taxes		
(i) Action had not been taken even in the year 2022 to identify the developed areas in the limits of the Pradeshiya Sabha and to publish the gazette notification and to collect the assessment tax.	Property survey activities are being carried out.	Action should be expedited.
(ii) Action had not been taken to conduct a survey about the garbage collection agencies in the limits of the Pradeshiya Sabha and to sign agreements with them and to charge fees.	Action has been taken to sign Agreements.	Action should be taken to conduct a survey and to recover the charges.

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| (iii) | Action had not been taken to recover outstanding industrial taxes amounting to Rs.115,000 as at 31 December 2022 and business taxes amounting to Rs.490,070.   | I will take action to get a new assessment.   | Action should be expedited.                          |
| <br>  |  |   |  |
| (b)   | <b>Rents</b>   |   |  |
|       | Rents amounting to Rs.37,000 that should be recovered for 23 mobile shops had not been recovered for a period of 01-06 months.   | Action will be taken to recover.  | Actions should be taken to recover.                  |
| <br>  |  |   |  |
| (c)   | <b>License Charges</b>   |   |  |
| (i)   | A survey had not been conducted in the year 2022 regarding business taxes, industrial taxes and trade licenses in the limits of the Pradeshiya Sabha, and outstanding charges related to the previous years as at 31 December of the year under review had been Rs.900,100 and the deficit of the year had been Rs.61,850. | I will conduct a survey and action will be taken to recover.                            | -Do-   |
| (ii)  | A survey had not been conducted on billboards located in the limits of the Pradeshiya Sabha in the years 2021 and 2022 and the outstanding billboard fees to be charged for 109 billboards had been Rs.813,050.  | The Revenue Inspector had not handed over the survey details to the officers in charge. | The officer in charge of subject should be informed. |
| <br>  |  |   |  |
| (d)   | <b>Court Fines and Stamp Duty</b>  |   |  |
| (i)   | Court fines amounting to Rs.789,495 receivable for the year 2022 and stamp duty amounting to Rs.588,000 had not been collected from the Chief Secretary of the Provincial Council and from the other authorities.  | I will take action to recover in the future.  | Delivery should be expedited.                        |

### 3. Operational review

#### Performance of functions assigned by the Act

The matters observed regarding the accomplishment of the functions that should be discharged by the Pradeshiya Sabha under Section 3 of the Pradeshiya Sabhas Act, such as, 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 and all amenities within such area, are mentioned below.

### 3.1 Management inefficiencies

Audit observation	Comments of the Council	Recommendation
(a) Even though there had been a balance of Rs.11,181,833 receivable from the Department of Local Government to the Pradeshiya Sabha and payable to contractors from the Pradeshiya Sabha and had been prevailing for a period of 01 and 07 years, action had not been taken to settle those balances.	Action will be taken to rectify it in the future.	Action should be taken to settle.
(b) Fifty-four (54) street lamp sets and 50 solar street lamp sets worth Rs.2,685,900 which had been purchased to install in essential places of the limits of the Pradeshiya Sabha had not been installed and had been kept in the office of the Pradeshiya Sabha.	-Do-	Arrangements should be made to install it expeditiously and to utilize it.
(c) Entertainment tax had not been collected for the tickets issued for the “Esala Kalapaya” held from 13 July to 23 July 2022 in the Parakramapura Public Stadium belonging to the Pradeshiya Sabha.	Entertainment tax had not been collected as a ticket for entertainment activities had not been issued.	As a ticket had been issued for participating in entertainment items, entertainment taxes should be collected based on that revenue.

### 3.2 Asset Management

Audit observation	Comments of the Council	Recommendation
Even though the Goods Survey Board had recommended to auction and sell 05 vehicles in the year 2021, it had not been carried out.	I will do these activities as soon as the mechanical engineer arrives.	Action should be taken expeditiously.