

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Thirappane 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 Thirappane 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

Audit Observation	Comment of the Council	Recommendation
(a) Court fines receivable as at 31 December 2022 had been understated by Rs.1,024,666.	This difference has occurred as adjustments had not been made for the estimated revenue.	The accurate value should be accounted.
(b) The revenue from stamp duty receivable as at 31 December 2022 had been understated by Rs.3,555,950.	Has been Rectified.	-Do-
(c) Even though the purchase of property, plant and equipment had been Rs.14,524,521 in the year under review, financing under the investment activities in the cash flow statement had been overstated as Rs.27,117,145.	Accepted.	-Do-
(d) The value of constructing a general stores of agricultural products under the LDSP project had been Rs.142,694 and the retention amount related to this project had been understated by Rs.142,698.	-Do-	-Do-
(e) Depreciation for the year under review had been over-calculated by Rs.51,537.	As the buildings had not been accounted in the year 2020, the remaining assets had been calculated correctly.	-Do-

1.6.3 Documentary Evidence not made Available for Audit

	Audit Observation	Comment of the Council	Recommendation
(a)	It had not been possible to satisfactorily vouch and verify 06 accounting subjects with a value of Rs.719,342 in the audit as sufficient evidence had not been submitted in relation to those accounting subjects.	It is a balance prevailing for a longer period. I will correct it in the future.	Confirmations should be submitted.
(b)	Even though a sum of Rs.483,899 had been deducted as adjustments under the cash flow generated from operating activities in the cash flow statement, details related to confirming it had not been submitted.	-Do-	-Do-

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the expenditure, which exceeded the revenue of the Pradeshiya Sabha for the year ended 31 December 2022 had been Rs.5,198,874 and the corresponding expenditure, which had exceeded the revenue in the previous year had been Rs.13,771,043.

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)	Rates and Taxes	908,200	830,738	796,362	211,009	1,003,200	755,685	1,228,655	176,633
(ii)	Rents	6,283,000	3,592,075	3,023,262	659,005	4,101,600	4,196,210	4,552,088	90,192
(iii)	License Charges	3,508,000	1,533,050	3,200,708	98,382	5,320,300	2,645,891	3,538,500	1,766,040
(iv)	Other Revenue	7,202,990	3,647,962	4,933,918	2,764,422	5,375,800	3,535,816	2,655,771	4,050,378
		----- 17,902,190 =====	----- 9,603,825 =====	----- 11,954,250 =====	----- 3,732,818 =====	----- 15,800,900 =====	----- 11,133,602 =====	----- 11,975,014 =====	----- 6,083,243 =====

2.2.2 Performance in the Collection of Revenue

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

Audit Observation	Comment of the Council	Recommendation
(a) Revenue from rates to be recovered as at 31 December in the year under review, garbage tax and acreage tax had been Rs.211,009 and the revenue from rentals had been Rs.659,005 and revenue from license charges had been Rs.98,382.	Action has been taken to recover the arrears.	The arrears amount should also be recovered.
(b) Court fines amounting to Rs.1,919,915 and stamp duty amounting to Rs.3,564,950 that should have been received from the Chief Secretary of the Provincial Council and from the other authorities as at 31 December 2022 had not been recovered even in the year under review.	Outstanding amounts have been collected till 31 December 2021.	Action should be taken to deliver court fines and stamp duty.

3. Operational Review

3.1 Solid Waste Management

Audit Observation	Comment of the Council	Recommendation
The Pradeshiya Sabha had spent Rs.3,079,560 for operating garbage in the year under review, but received only a revenue amounting to Rs.193,600 from the sale of organic fertilizers. Accordingly, sufficient attention had not been paid for non-biodegradable waste management.	Action will be taken to regularize the waste management.	Solid waste management should be regularized.

3.2 Asset management

Audit Observation	Comment of the Council	Recommendation
Four (04) vehicles owned by the Pradeshiya Sabha remained idle by 31 December of the year under review.	The tipper has been repaired. It was not possible to repair the other vehicles.	Arrangements should be made to utilize the vehicles without leaving them idle.