

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Alawwa 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 Alawwa 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 Sri Lanka Public Sector Accounting Standards 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 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) Due to double counting of public supply creditors amounted to Rs.369,870, industrial creditors amounted to Rs.20,027 and 40 proposed projects valued at Rs.8,550,000 as at 31 December of the year under review were accounted for as creditors without entering into agreements, the expenses and creditors had been overstated during the year under review.	Actions will be taken to correct during the preparation of the final account of the year 2023 .	It should be accurately accounted for.

- (b) A sum of Rs.17,750 received in advance for the year 2023 had been accounted as income for the year under review. Actions will be taken to accurately account for the income received in advance in the next year. -do-

1.6.2 Unreconciled Control Accounts or Reports

Audit Observation	Comments of the Sabha	Recommendation
There was a difference of Rs. 41,294 in library book value, Rs. 55,059 in stock-in-hand of public warehouse and Rs.1,200,431 in land and building value according to the Register of Fixed Assets as per the financial statements and Board of Survey Reports as at 31 December of the year under review.	Actions will be taken to correct during the preparation of the financial statements of the year 2023 .	Relevant differences should be identified and documents and accounts should be corrected.

1.6.3 Unauthorized Transactions

Audit Observation	Comments of the Sabha	Recommendation
The fixed deposits with interest amounted to Rs. 2,531,458 had been transferred to the Sabha Fund without obtaining Sabha approval.	In the absence of adequate financial provision for the essential expenses of the Sabha due to the Corona epidemic and the economic situation in the country, it has been done here as well as it has been done in other years.	Measures should be taken with proper financial control.

1.7 Non –compliance

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 Sabhas Act No. 15 of 1987 - Local Authority Rules 61	A survey had not been carried out on trade licenses, industrial taxes and business taxes.	All the lists obtained from the Survey in the year 2023, will be documented and according to that, steps will be taken to obtain all the licenses without delay.	Actions should be taken in terms of Local Authority Rules.
(b) Financial Regulations of the Socialist Republic of Sri Lanka - F.R. 371 (3)	Advances amounting to Rs.62,000 as at 31 December of the year under review had remained unsettled.	Actions will be taken to settle the advances in the respective year, in future years.	Actions should be taken in terms of relevant Regulation.

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. 36,877,344 and the income exceeding the recurrent expenditure of the preceding year was Rs. 530,541.

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 on 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates and Taxes	7,861	5,950	4,939	2,012	5,392	4,748	3,746	1,001
Rents	9,686	9,550	9,589	8	12,128	6,996	6,969	47
License Fees	1,021	576	576	-	977	484	484	-
Other Income	6,683	9,979	9,979		6,407	5,121	5,121	-
Total	25,251	26,055	25,083	2,020	24,904	17,349	16,320	1,048

2.2.2 Revenue Collection Performance

Audit Observation	Comments of the Sabha	Recommendation
Out of the arrears of Rs.1,001,615 at the beginning of the year under review, an amount of Rs.624,450 and an amount of Rs.1,387,714 from the billed amount of the year Rs.5,950,667 had not been recovered.	Actions will be taken to recover the money through revenue collection programmes in future.	Actions should be taken to recover arrears and billed revenue.

3. Operational Review

3.1 Solid Waste Management

Audit Observation	Comments of the Sabha	Recommendation
A number of 302 tonnes of biodegradable waste and 126 tonnes of non-biodegradable waste had been collected at a recurrent expenditure of Rs.19,240,898 during the year under review for the Solid Waste Management Centre operate by the Sabha. By	The Solid Waste Management Centre which is operated by the Alawwa Pradeshiya Sabha is running as a project for proper management of municipal waste.	Biodegradable and non-biodegradable waste should be properly managed.

selling 57 tonnes of biodegradable waste, an income of Rs.860,595 had been earned after manufacturing 64 tonnes of compost fertilizer out of biodegradable waste in the year.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
Even though the Sabha had issued 11 building compliance certificates from the year 2018 to the year 2022, actions had not been taken to charge rates after obtaining an assessment for those units.	Actions will be taken in future to charge the rates by sending to Valuation Department for reassessment just after obtaining compliance certificates.	Actions should be taken to increase the income.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
Although a tax amount of 1 per cent of the sales value related to the development and sale of land in the Sabha area should be collected by the Sabha, actions had been taken to obtain a minimum value from the land of Kohombaghamula Kammal Deniya watta than the sale value. Accordingly, the Sabha had incurred a loss of Rs. 169,425 .	Actions will be taken to recover the remaining arrears of 1 per cent tax from respective auctioneer after ascertaining the value at which the land was sold.	Actions should be taken to recover the arrears by fetching the sales reports of the respective company.

3.4 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
<p>(i) Even though the Alawwa bus station shops had been given to the old tenants without tendering, and also the Sabha had decided in 2016 to collect 50 per cent of the assessed lump sum from those lessees, it had been given a grace period to pay in 60 installments at the request of the old lessees. Accordingly, although this lump sum of Rs. 21,000,000 should be entirely paid by these old lessees from May 2016 to April 2021, no installments had been paid even by even by April 2023.</p>	<p>In the tendering of shops at Alawwa Bus Stand, even though shops were given to old lessees without tendering, it has been mentioned to collect 50% of the assessed amount from those lessees and, it had been given a grace period to pay it in 60 installments.</p>	<p>Actions should be taken to recover the arrears of income.</p>
<p>(ii) Ten lands utilized by the Sabha had not been handed over to the Sabha even by the year under review.</p>		<p>Actions should be taken to take over the lands used by the Sabha.</p>

3.5 Procurement Management

Audit Observation	Comments of the Sabha	Recommendation
<p>The Sabha had incurred a loss of Rs.407,500 because of purchasing 1,000 23 watt CFL bulbs at Rs.1,246.50 each from the company that had offered the lowest price to the fifth by rejecting lowest price of Rs.839 for bulbs offered for street lamps.</p>	<p>It had been decided to purchase of bulbs on the basis of the price offered for the fifth lowest price by rejecting the lowest price of Rs.839 offered for the bulb.</p>	<p>Open bids should be invited and the Sabha should directed to the competition and the most beneficial procurement method should be selected according to the Procurement Guidelines.</p>

04. Accountability and Good Governance

Environmental Issues

Audit Observation	Comments of the Sabha	Recommendation
Although the Sabha has a Waste Management Centre, and also there is no standardized recycling system for disposal of gully waste, the council had arranged to remove the gully waste from the Sabha area by digging a hole in the garbage recycling Centre and put it in it. Accordingly around 53 gully bowsers were brought and disposed of at the landfills, during the year under review without having proper recycling system.	A suction pit has been constructed with the concrete blocks at the Waste Management Centre and after inspecting the pits, customers will be charged for removing the gully waste from the pits. Due to this, there is no waste removal on a daily basis and waste is disposed to it on the decreasing size in the pit.	The garbage should be disposed of in a way as to protect the environment.