

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Akuressa Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Statement of financial position, as at December 2022 Statement of Financial Performance, statement of changing 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 accompanying financial statements give a true and fair view of the financial position of the Akuressa 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 Principles.

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 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 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 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

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

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1. Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
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(a) Rs.3,876,316 incurred for the development of the property owned by the Sabha in the previous years and the year under review had not been capitalized.	The action will be taken to correct in the future.	Should be accounted correctly
(b) The net creditor balance was overstated by Rs.1,091,779 at the end of the year under review.	The action will be taken to correct in the future.	Should be accounted correctly
(c) As expenses of Rs.381,356 payable had been accounted under capital creditors as well as under sundry creditors, sundry creditors balance was over-stated by that amount.	The action will be taken to correct in the future.	Should be accounted correctly
(d) The payable to Local Government Service Pension Contributory Fund amounting to Rs. 5,535,032 was not provided for under Sundry Creditors at the end of the year under review.	Creditor provision will be made after explaining how the balance is arranged.	Should be accounted correctly
(e) The court fine billings of Rs.88,896 had been overstated in relation to the year under review.	The action will be taken to correct in the future.	Should be accounted correctly
(f) Rs. 93,600 due for 05 advertising boards displayed in the Sabha area was not accounted as at the end of the year under review.	The legal action had been taken for unlicensed advertisement boards and that the amount of fine imposed by the court has not been accounted for as it cannot be ascertained.	Should be accounted correctly

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| (g) | The receivable stamp duty income due at the end of the reviewed year had been overstated by Rs.4,234,450 more in relation to the previous year. | The action will be taken to correct in the future. | Should be accounted correctly |
| (h) | The value of library books purchased during the year under review was understated by Rs.593,968. | The action will be taken to correct in the future. | Should be accounted correctly |
| (i) | The provision had not been made under sundry creditors for miscellaneous expenses amounting to Rs.81,814 payable at the end of the year under review. | The action will be taken to correct in the future. | Should be accounted correctly |
| (j) | 37 items of inventory valued at Rs.773,474 which are not in the form of fixed assets were accounted under property, plant and equipment. | The action will be taken to correct in the future. | Should be accounted correctly |

1.6.2 Non reconciled Control account or Records

Audit Observation

Comment of the Sabha

Recommendation

There was a difference of Rs.2,810,253 between the general stock balance of Rs.5,563,364 included in the financial statements and the balance shown in the related schedules.

The action will be taken to correct in the future.

The differences in the respective balances should be compared and corrected the accounts

1.7 Non-compliances

1.7.1 Non-compliance with Laws, Rules, Regulation and Management Decisions

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below.

Reference to Laws, Rules, Regulation and Management Decisions

Non – Compliance

Comment of the Sabha

Recommendation

Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R.571

The action had not been taken in accordance with the Financial Regulations in respect of 02 years expired 14 deposit balances totaling to Rs.103,313 for the year ended 2002.

It has been informed to the Heads of Departments that they will settle the deposits that have expired in 06 months and that the said deposits will be credited to the council income subject to payment after the depositors make a request.

The action should be done in accordance with the Regulations.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December amounted to Rs. 925,273 as against with excess of revenue over recurrent expenditure amounted to Rs.17,133,372 in the preceding year.

2.2 Revenue Administration

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

According to the information presented by the chairman, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are given below.

Source of Revenue	2022				2021			
	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
(i) Rates and Taxes	7,451,000	2,425,027	2,235,903	2,141,195	7,092,000	2,252,707	1,870,609	1,952,071
(ii) Rent	6,850,000	5,488,380	7,603,326	6,796,224	5,900,000	5,521,233	4,118,954	8,911,170
(iii) License Fees	2,309,250	1,997,218	1,997,218	-	1,993,500	1,805,867	1,805,867	-
(iv) Other revenue	17,729,000	12,738,988	11,925,397	1,072,321	19,103,500	10,047,760	9,789,030	258,730
	34,339,250	22,649,613	23,761,844	10,009,740	34,089,000	19,627,567	17,584,460	11,121,971

2.2.2 Performance in Revenue Collection

Following observations are regarding the revenue collection performance of the sabha.

Audit Observation	Comment of the Sabha	Recommendation
(a) Balance of arrears of assessment tax at the beginning of the year under review was Rs. 1,853,144 and as at 31 December of the year under review, the balance due in respect of 790 assessment units was Rs. 1,336,829.	Arrears will be collected in the future,	Arrears of income should be collected promptly.
(b) 230 out of the 266 shop rooms owned by the council had been leased and by the end of the year under review, from 166 lessees had to collect shop rent of Rs. 6,215,246. Out of which, the outstanding period of the balances of Rs.4,975,612 which should have been collected from 67 lessees had exceeded 03 years.	Arrears will be collected in the future,	Arrears of income should be collected promptly.

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| (c) | 42 shops rooms located in 02 shopping malls belonging to Akuressa Pradeshiya Sabha were leased without a written agreement. | The arrangements will be made to enter into an agreement for the shop rooms that may be contracted, and to enter into an agreement after the transfer of the lease rights of the other shop rooms. | The agreements should be entered into while renting shop rooms. |
| (d) | The collection of key money of Rs. 1,905,734, which was to be charged in relation to 23 shops belonging to the public market mall owned by the Akuressa Pradeshiya Sabha, had not been collected by the end of the year under review. | The action will be taken to get legal action for the prosecution of the lessees. | The action should be taken in accordance with the Circular. |
| (e) | As at 31 December of the year under review, court fines of Rs.1,479,052 and stamp duty of Rs.40,961,620 should have been collected from the Chief Secretary of the Provincial Council. | The Governor of the Southern Province has been requested to provide the relevant money. | Arrears of income should be collected promptly. |
| (f) | The survey was not conducted in relation to 03 hotels and restaurants registered by the Tourism Board in Akuressa Pradeshiya Sabha area and charges were not collected according to the Pradeshiya Sabha Act No. 15 of 1987 at the end of the year under review. | . Licensing is in progress. | The action should be taken in accordance with the Act. |

3. Operational Review

3.1 Performance of functions assigned by the Act

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

Audit Observation

In terms of Sub-Section 126 (viii) of the Pradeshiya Sabha Act No. 15 of 1987, the by-laws had not been enacted to deal with the construction of buildings within the non-urban area of the sabha area.

Comment of the sabha

By-laws have been identified and further work is currently being done.

Recommendation

Should be done according to the Act.

3.2 Management Inefficiencies

Audit Observation -----	Comment of the Sabha -----	Recommendation -----
(a) By the end of the year under review, the Citizenship Charter as introduced by the Circular No. 05/2008 dated February 06, 2008 as amended by Public Administration Circular No. 05/2018 (i) dated 24 January 2018 had not been prepared and exhibited in the Sabha.	The preparation of the Citizenship Charter has already been started.	The action should be done as per the circular.
(b) A human resource development plan had not been prepared as introduced by Annexure 02 of Public Administration Circular No. 02/2018 dated 24 January 2018.	The action will be taken to prepare before 31 May 2023	The action should be done as per the circular.

3.3 Transactions of Extraneous Nature.

Audit Observation -----	Comment of the sabha -----	Recommendation -----
(a) 11 Store items balances valued at Rs.25,593,657 included in the stock summary presented with the financial statements prepared at the end of the year under review had no in the physical inventory, and the council had not taken necessary actions regarding these balances which continued to exist in the financial statements.	The balances in question are instruments issued to other sub office, and that these balances will be removed from the store summary.	The balance should be checked and corrected.
(b) The Section 132 (k) of the Pradeshiya Sabha Act No. 15 of 1987, 14, 103, 178(7)(2), 207, 208, 211, 213 of the Pradeshiya Sabha Finance and Administration Rules of 1988 in purchasing 21,190, 120 page CR books valued at Rs.4,449,900 from a private institution for distribution among the children of Akuressa Pradeshiya Sabha area in the year under review, and 237 of the Finance Regulations, had not been followed and the feasibility report had not been prepared in this regard.	It is accepted that it has acted on the written instructions of the Chief Accounting Officer and the Chairman who is the Executive Officer and not in terms of Section 132 (k) of the pradeshiya Sabha Act.	The Act, Rules and Financial regulations should be followed
(c) 132 (k) of the Pradeshiya Sabha Act No. 15 of 1987 in the purchase of 2025.5 yards of polyester cloth at a cost of Rs.800,000 in the year under review for the purpose of providing uniforms for the year 2023 to schools and Dhamma school children in Akuressa pradeshiya Sabha area. The Pradeshiya Sabha (Finance and Administration)	The project report has not been prepared and distribution of uniform cloth has been done under the supervision of Chief principals.	Act, Rules and Financial regulations should be followed

Rules 1988, 14, 207, 208, 178(7) (2) had been followed in derogation of the provisions of Finance Regulation 136 (1). Also a project report including the delivery process had not been prepared.

3.4 Procurement Management

Audit Observation	Comment of the Sabha	Recommendation
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(a) Three procurements valued at Rs.5,449,900 had been executed which were not included in the procurement plan, contrary to Rule 170 of the Pradeshiya Sabha (Finance and Administration) Rules, 1988 and Guideline 4.1.1 (c) of the Procurement Guidelines Code, 2006	The proceedings have been carried out in full transparency without deviating entirely from the Code of Procurement Guidelines on the written instructions of the Accounting Officer.	Procurement guidelines should be followed.