

## **Athuraliya Pradeshiya Sabha - 2022**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Athuraliya 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 financial statements give a true and fair view of the financial position of the Athuraliya 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 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**

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

<b>Audit Observation</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----
(a) The value of Rs.272,100 of hand tractor and a bicycle which was not physically owned by the sabha had been accounted under vehicles and carts.	Will be corrected by the journal entries.	Should be accounted correctly.
(b) Due to provision had been made for audit fees in the year under review credit provision had been overstated by Rs.200,000	Will be corrected by the journal entries.	Should be accounted correctly.
(c) The stamp fees receivables of Rs.4,444,155 relating to the previous year had not been accounted as income receivable at the end of the year under review.	Will be corrected.	Should be accounted correctly.
(d) Rs.138,610 due at the end of the year under reviewed for 02 constructions executed in the previous year had not been accounted.	Will be corrected by the journal entries.	Should be accounted correctly.

### 1.6.2 Non reconciled control account or records

<b>Audit Observation</b> -----	<b>Comment of the Council</b> -----	<b>Recommendation</b> -----
There was a difference of Rs. 733,304 in between the balances related to 04 accounting items amounting to Rs. 10,839,361 included in the financial statements and the balances shown in the relevant utility registers/schedules.	The action will be taken to rectify.	Action should be taken to rectify the accounts after reconciling differences in the respective balances.

### 1.6.3 Transactions not supported by adequate authority

<b>Audit Observation</b> -----	<b>Comment of the sabha</b> -----	<b>Recommendation</b> -----
The motor grader owned by the sabha was informally given to a private contractor and by the end of the year under review, the sabha had to charge a rent of Rs.113,880.	They will be charged by the retention money in the future.	Arrears of income should be collected as soon as possible.

## 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.

<b>Reference to Laws, Rules, Regulation and Management Decisions</b> -----	<b>Non – Compliance</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----
Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----			
(i) F.R. 272(1) and (2)	The action had not been taken in accordance with Financial Regulation regarding the missing of two vouchers valued at Rs.51,072 paid from the current account owned by the sabha.	Two vouchers will be found and presented in the future as soon as possible.	Action should be taken according to the Regulation
(ii) F.R. 571	The action had not been taken in accordance with Financial Regulation regarding 142 deposit balances valued at Rs.3,318,945 exist for more than 02 years.	The vouchers have been prepared to be presented to the finance committee to be held in the future and receive recommendations.	The action should be taken according to the Financial Regulation.
(iii) The para 2:3(iv) of the Public Finance Circular No. 01/2021 dated 29 September 2021	Although a contract for the development of the Talahagama West Shramadana Stadium was awarded to a village development society for an agreed sum of Rs.1,468,365, the contract was executed by a private contractor.	The action will be taken to correct.	The action should be taken according to the Circular.

## 2. Financial Review

### 2.1 Financial results

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2022 amounted to Rs.196,720 as against the excess of revenue over recurrent expenditure amounting to Rs. 315,020 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	2,262,500	1,392,865	1,455,502	1,671,954	1,835,000	626,573	492,058	1,734,591
(ii) Rent	3,854,000	5,973,359	4,998,780	1,385,086	3,635,000	841,250	565,505	410,507
(iii) License Fees	317,000	308,140	275,840	262,650	193,500	662,510	491,610	230,350
(iv) Other revenue	1,140,000	1,342,725	1,065,895	322,799	984,500	609,347	600,023	45,969
	7,573,500	9,017,089	7,796,017	3,642,489	6,648,000	2,739,680	2,149,196	2,421,417

#### 2.2.2 Performance in Revenue Collection

Following observations were made regarding the Performance of Collection of revenue of the sabha.

Audit Observation	Comment of the Sabha	Recommendation
(a) Balance of the Arrears of Assessment Tax as at the beginning of the year under review was amounted to Rs. 1,734,591 and the balance as at the end of the year was amounted to Rs. 1,544,012.	The arrears are being collected every week for collection of assessment tax.	Arrears of income should be collected as soon as possible.
(b) There were 23 shops owned by the sabha and from which 07 shops at the end of the year under review collected Rs. 297,898 in arrears of income remained to be collected at the end of the year under review.	The notifications have been made for collection of arrears.	Arrears of income should be collected as soon as possible.

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| (c) | Court fines and Stamp duty to be received by the Chief Secretary of the Provincial Council amounted to Rs. 425,869 and Rs. 12,280,425 as at 31 December of the year under review. | The arrangements are being made to recover the arrears | Arrears of income should be collected as soon as possible. |
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### 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**

#### **Comment of the Sabha**

#### **Recommendation**

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 The council had not implemented a permanent and formal waste management project to produce compost fertilizer using the decomposable waste collected in the sabha area and divert the non-decomposable waste to recycling, and instead, the daily collected decomposable waste was given to the compost production yard of Akuressa Pradeshiya Sabha, It was also observed non-decomposable waste dump in a private land called Rasinawatta.

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 The non-perishable materials that can be recycled will be given to the Matara Municipal council and the non-recyclable materials will be given to a private land as landfill.

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 Garbage should be disposed of properly.

#### 3.2 Management Inefficiencies

#### **Audit Observation**

#### **Comment of the Sabha**

#### **Recommendation**

(a) The revised Citizenship Charter as introduced by Circular No. 05/2008 dated 06 February 2008 as amended by Public Administration Circular No. 05/2008 (i) dated 24 January 2018 had not been prepared and displayed in the sabha at the end of the year under review.

It will be prepared and put on public display in the future.

Action should be taken according to the circular.

(b) The land and buildings owned by the sabha had not been updated and accounted.

The value of the lands be reassessed and new values will be added to the account.

Should be accounted correctly.

(c) A Road Inventory Register had not been prepared to include all roads maintained by the sabha owned by the sabha.

The road inventory is done by computer software.

A road inventory document should be prepared.

### 3.3 Operating Inefficiencies

<b>Audit Observation</b> -----	<b>Comment of the sabha</b> -----	<b>Recommendation</b> -----
(a) Due to non-installation of street light as per the Circular No. PR/01/01 of the Ministry of Electricity and Energy dated 17 August 2010, the expenditure of Rs.470,000 incurred for the maintenance of street lamps in the year under review had not been reimbursed.	The Electricity Board has informed in writing that it will not reimburse the maintenance costs of street lamps for the year 2022.	Action should be taken according to the circular.

### 3.4 Deficiencies in contract administration

<b>Audit Observation</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----
(a) During the construction of the Talahagama West Stadium, earth cutting was done mechanically however the manual labor rate of the Southern Provincial Road Development Authority had been use of the rate of Rs.766.04 per cubic meter introduced under MS-034 for the contractor society was overpaid Rs.484,648.	The observations are accepted.	The overpayment should be recovered.

### 3.5 Human Resources Management

<b>Audit Observation</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----
05 field workers of the sabha, a health worker and a library assistant were assigned duties without assigning the prescribed duties related to the position and in the year under review an amount of Rs. 2,590,380 was paid as salary and allowances for them.	The assignment of duties is done according to the service requirement of the organization.	Duties related to the posts should be assigned.