

Arachchikattuwa pradeshiya sabha – 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Arachchikattuwa 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 Finance Operation, Statement of Net Assets Changes, Cash Flow Statement 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 and with the provisions of the National Audit Act No. 19 of 2018 read in conjunction with the sub section 172(1) of Pradeshiya Sabha Act No. 15 of 1987. 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 Arachchikattuwa pradeshiya sabha as at 31 December 2022, and of its financial performance for the year then ended in accordance with generally accepted accounting practices.

1.2. Basis for Qualified Opinion

I expressed qualified opinion regarding financial statement 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 generally accepted accounting practices, 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 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 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 include 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 of this report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit observation on the preparation of Financial Statements

Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
An electric fan worth Rs.23,000 had not been accounted.	That errors will be corrected.	Corrections should be made through the journal entries.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2022 amounted to Rs.15,063,910 as compared with the excess of revenue over recurrent expenditure amounted to Rs.10,374,227 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 the Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Revenue sours	2022				2021			
	Estimated revenue (Rs)	Billed revenue (Rs)	Collected revenue (Rs)	Total arrears as at 31 st December (Rs)	Estimated revenue (Rs)	Billed revenue (Rs)	Collected revenue (Rs)	Total arrears as at 31 st December (Rs)
	000'	000'	000'	000'	000'	000'	000'	000'
Rates income	7,652	7,455	3,112	17533,	7,769	7,517	5,312	16,039
Rent income	7,330	6,288	5,929	1,700	6,708	5,125	5,127	1,709
License Fees	904	3,422	1,843	1,801	1,014	510	536	67
Other Revenue	<u>1,596</u>	<u>4,654</u>	<u>4,654</u>	-	<u>17,213</u>	<u>19,488</u>	<u>41,164</u>	<u>20,022</u>
Total	<u>17,482</u>	<u>21,819</u>	<u>15,538</u>	<u>21,034</u>	<u>32,704</u>	<u>32,640</u>	<u>52,139</u>	<u>37,837</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the council	Recommendation
(a) As at 31 st of December 2022, the outstanding balance of assessment tax is Rs.16,393,700, outstanding acreage tax is Rs.347,283 and outstanding water tax Rs.674,426 and outstanding rent is Rs.1,700,468 had not been collected.	The arrears will be collected.	The outstanding revenue should be collected immediately.
(b) Although the sabha should revise the assessment tax once in 05 years, the assessment tax was being collected in 2022 on the assessment valuation made in the year 2015 within the sabha area.	That an valuation of assessment is being made.	Revenue should be recovered as per updated valuation.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Water meters were not installed for the water project controlled by the council and a fixed fee of Rs.450 was being charged monthly.	The approval had not been given by the General Assembly. (මහ සභාව)	Action should be taken to install the relevant water meters immediately.
(b) 109 dengue cases were reported in Arachchikattuwa and Mundalam divisions and only 4 cleaning programs were carried out to control dengue in the year 2022.	That the priority was given to risk areas.	Programs should be implemented to cover the sabha area.
(c) It is mentioned in the documents that there are 94 tube wells owned by the council, but the relevant information had not been updated and 03 tube wells were not in working condition.	Acting further on the advice of the audit.	The relevant data should be correctly updated and immediate action should be taken regarding tube wells which are not in working condition.
(d) The value of the receivable accounts as on 31 st December of the year under review was Rs.33,683,061 and the value of the balances exceeding 05 years was Rs.14,563,019 and no action had been taken to recover these arrears.	That will be recovered in the future.	Action should be taken to recover the receivable amount immediately.

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| (e) | The value of payable accounts as on 31st December of the year under review was Rs.3,208,218, out of which a balance of Rs.2,165,275 had not been settled in between 03 to 05 years. | That will be settled in the future. | Action should be taken to settled the payable amount immediately. |
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3.2 Assets Management

Audit Observation	Comments of the Council	Recommendation
(a) There were 48 un acquired properties in the council area.	It will be accelerated in the future.	Actions should be taken to take over the relevant property immediately.
(b) Surpluses had not been included in the registers and action had not been taken against outstanding during the inspection of annual goods survey reports.	That the goods will be included in the prescription register and the outstanding will be recovered from the relevant officers.	The recommendations of goods survey report should be followed.

3.3 Human Resource Management

Audit Observation	Comments of the Council	Recommendation
There were 06 of secondary posts and 11 of primary posts vacant in the council.	That the approval had not been received yet.	The council should correctly identify the number of employees required and should be approved that number of employees.

3.4 Utilisation of Vehicle

Audit Observation	Comments of the Council	Recommendation
There were 03 vehicles owned by the council have been decaying without use being repaired or disposed since 2019.	That further action will be taken after receiving the report of the disposed board.	That should be used after repair or should be disposed.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Council	Recommendation
An amount of Rs.447,911 had been spent to fulfill 10 different tasks mentioned in the action plan, but the expected level of completion had not been achieved.	That the expenditure had to be controlled as per the circular for control of public expenditure.	Action should be taken to achieve the expected level of completion of the action plan.

4.2 Internal Audit

Audit Observation

An adequate internal audit of the council was not conducted during the year under review and the internal audit focused only on the acreage tax, leave and water project.

Comments of the Council

The internal audit work will be done properly in the year 2023.

Recommendation

The audit should be planned and conducted to cover all areas.

4.3 Sustainable Development Goals

Audit Observation

In order to reach the objectives and goals to be achieved according to the Sustainable Development Agenda 2030, the council had identified targets for 10 sustainable development goals for the year under review and only 06 goals had been achieved.

Comments of the Council

Unable to perform due to cost control.

Recommendation

Action should be taken to achieve sustainable development goals.