

Kalpitiya pradeshiya sabha – 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kalpitiya 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 Kalpitiya 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
(a) Legal action against the council was not disclosed in the financial statements.	That will be corrected.	Disclosures should be made in the financial statements.
(b) The value of the 03 stolen computers of Rs.327,700 had not been stated in the financial statements.	That will be removed from the 2023 account.	It should be corrected through the journals entry.
(c) In the year under review, Rs.1,069,768 paid for the construction of a playground had not been capitalized.	That instructions have been given to the officer in charge to enter the assets register.	It should be corrected through the journals entry. .

1.7 Non- Compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Non-compliances with Laws, Rules, Regulations and Management decisions as follows.

Reference to Non-compliance Laws, Rules Regulations etc.	Comments of the Council	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
F R 371 (d)	Advances of Rs.229,658 given during the period from 1989 to 2007 were not settled.	That will be remove from the account.
		Financial Regulations should be followed.
F R 571(2)	Expired deposits of Rs.2,242,694 had not been credited to the revenue.	The deposits will be taken to the income.
		-Do-

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.47,993,968 as compared with the excess of revenue over recurrent expenditure amounted to Rs.30,396,618 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 sources	2022				2021			
	Estimated revenue	Billed revenue	Collected revenue	Total arrears as at 31 st December	Estimated revenue	Billed revenue	Collected revenue	Total arrears as at 31 st December
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
	000'	000'	000'	000'	000'	000'	000'	000'
Rates income	5,383	5,161	3,310	16,668	4,591	5,076	2,245	14,470
Rent income	15,819	15,532	15,536	9,034	16,183	15,714	14,281	8,232
License Fees	3,745	2,588	2,588	35	3,666	2,396	2,396	35
Other Revenue	<u>6,010</u>	<u>5,648</u>	<u>5,648</u>	-	<u>57,692</u>	<u>54,528</u>	<u>4,486</u>	<u>50,041</u>
Total	<u>30,957</u>	<u>28,929</u>	<u>27,082</u>	<u>25,737</u>	<u>82,132</u>	<u>77,714</u>	<u>23,408</u>	<u>72,778</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.15,109,466, outstanding acreage tax is Rs.1,019,259 and outstanding water tax Rs.444,404 and outstanding rent is Rs.3,883,658 had not been collected.	The arrears will be collected.	The outstanding revenue should be collected immediately.
(b)	Action had not been taken to identify the lands that can be collected acre tax from area survey of the once in 05 years.	This work will be done in the future.	Action should be taken to identify the land from which can be collected tax.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The value of the receivable accounts as on 31 st December of the year under review was Rs.109,744,629 and the value of the balances exceeding 05 years was Rs.10,636,249.	That will be recovered in the future.	Action should be taken to recover the receivable amount immediately.
(b) The value of payable accounts as on 31 st December of the year under review was Rs.34,603,955, out of which a balance over 5 years of Rs.8,790,141 had not been settled.	That will be settled in the future.	Action should be taken to settle the payable amount immediately.

3.2 Assets Management

Audit Observation	Comments of the Council	Recommendation
(a) 244 flag poles were missing, from the 464 flag poles owned by the council, but action had not been taken in this regard.	That the value will be collected.	Actions should be taken to recover from the responsible officers.
(b) Legal ownership of 59 properties used by the council had not been transferred to the council.	It will be done immediately in the future.	Actions should be taken to take over the relevant property immediately.

3.3 Human Resource Management

Audit Observation	Comments of the Council	Recommendation
(a) As at 31 st December of the year under review, 05 secondary posts and 24 primary posts were vacant in the council	That employee vacancies have been informed to the Local Government Department.	The council should correctly identify the number of employees required and should be approved that number of employees.
(b) A balance of Rs.93,241 had to be collected from 28 employees who left the service and passed away in the previous years.	That will be cut.	The outstanding employee loan balances should be collected immediately.

3.4 Utilisation of Vehicle

Audit Observation	Comments of the Council	Recommendation
Out of the vehicles owned by the council, 07 vehicles were not used due to repair work and 04 vehicles were not used due to dispose.	That action are being taken to obtain the observations of the Provincial Engineer.	That should be used after repair or should be disposed.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Council	Recommendation
An adequate internal audit had not been implemented regarding the operation and finance activities of the institute.	The internal audit work will be done properly in the year 2023.	The audit should be planned and conducted to cover the important areas.

4.2 Budget Control

Audit Observation	Comments of the Council	Recommendation
According to the budget estimates related to the reviewed year, Rs10,601,000 allocated to 08 expenditure subjects had not been used the entire amount.	That was not spent due to lack of approval and opportunity to pay.	Operational activities should be carried out in such a way as to achieve the budgeted targets.

4.3 Sustainable Development Goals

Audit Observation	Comments of the Council	Recommendation
Although Rs.1,715,000 has been allocated for 12 targets to achieve sustainable development goals, 08 targets worth Rs.1,115,000 have not been achieved during the year.	It is not possible to implement the relevant programs due to the difficult conditions in the country.	Action should be taken to achieve sustainable development goals.