

Karuwalagaswewa pradeshiya sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Karuwalagaswewa 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 Karuwalagaswewa 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

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The value of library books was under-accounted by Rs.54,655 during the year under review	That corrections will be made through journal entries.	Corrections should be made through journal entries.
(b) The stall rental income had been understated by Rs.6,212 in the year under review.	-Do-	-Do-
(c) The value of Karuwalagaswewa office conference hall had been overstated by Rs.793,384.	-Do-	-Do-
(d) In order to remove the income of Rs.27,500 from the deposit account by Journal Voucher No 05, instead of debiting the deposit account and crediting the accumulated fund, the debtors had been credited and accumulated fund had been debited.	-Do-	-Do-

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
As per the financial statements as on 31 st December of the year under review, the outstanding water tax balance was Rs.2,538,720 and as per the schedule it was Rs.2,542,087, then the difference was Rs.3,367.	These matters will be corrected in the future.	The reasons for the difference should be investigated and corrected.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
04 account balances worth Rs.5,767,461 as on 31 st December of the year under review could not be satisfactorily verified in the audit due to lack evidence for physical existence, schedules and other related evidences.	The council does not have any information related to this.	Written evidence should be submitted to confirm the account balances shown in the financial statements.

1.7 Non- Compliances

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 571	07 deposits beyond 02 years had not been credited to the revenue. It will be investigated and collected regarding deposits that have not been collected for more than 02 years.	Financial regulations should be followed.

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.1,791,535 as compared with the excess of revenue over recurrent expenditure amounted to Rs.3,788,308 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) 000'	Billed revenue (Rs) 000'	Collected revenue (Rs) 000'	Total arrears as at 31 st December (Rs) 000'	Estimated revenue (Rs) 000'	Billed revenue (Rs) 000'	Collected revenue (Rs) 000'	Total arrears as at 31 st December (Rs) 000'
Rates income	8,797	8,452	5,116	3,159	9,111	8,090	5,043	3,513
Rent income	4,303	2,137	1,936	1,240	4,955	3,112	1,987	1,310
License Fees	179	73	73	-	165	64	-	-
Other Revenue	34,407	36,691	36,691	1,023	12,754	6,364	6,364	=
Total	<u>47,686</u>	<u>47,353</u>	<u>43,816</u>	<u>5,422</u>	<u>26,985</u>	<u>17,630</u>	<u>13,394</u>	<u>4,823</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the council	Recommendation
As at 31 st of December of the year under review outstanding balance of assessment tax is Rs.620,738, water tax is Rs.2,542,087 and rent is Rs.1,239,679 had not been collected.	The arrears will be collected.	The outstanding revenue should be collected immediately.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Under Provincial Specific Development Grant (Community Water Supply) Rs.2,713,219 had been spent for the construction of the water tank in the Karuwalagaswewa Siyambalawa Water Project and due to the non-provision of the water connection unable to provide its benefits to the public.	It has been instructed to connect an intermediate pipe to the existing pipe system and carry out the distribution.	Action should be taken to provide water pipe connection for the water tank immediately.
(b) Under the National Program for the Development of Rural Sports Grounds, the construction of the Tabbowa Stadium had been completed at a cost of Rs.1,470,000, but the benefits had not been provided to the public.	The Divisional Secretariat has been informed from time to time as its right belongs to the Divisional Secretariat.	The action should be taken for immediate use after completion of construction.
(c) As at 31 st December of the year under review, an amount of Rs.74,426 remained ideal in the Nattandiya Savings Bank branch.	That the future work will be done.	Action should be taken to settle the account.
(d) The value of the receivable accounts as on 31 st December of the year under review was Rs.6,703,491 and the value of the balances exceeding 03 years was Rs.625,415. The action had not been taken to recover these arrears.	That will be collected in future.	Action should be taken to recover the receivable amount immediately.
(e) The value of payable accounts as on 31 st December of the year under review was Rs.8,719,311, and the value of the balances exceeding 03 years was Rs.1,280,351 had not been settled.	That will be settled in the future.	Action should be taken to settle the payable amount immediately.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
Although the council 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 council area.	That an valuation of assessment is being made.	Revenue should be recovered as per updated valuation.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Council	Recommendation
(a) It was observed that Medagama Children's Park was not used for a long time due to that it was heavily covered with forest and the sports equipment there could be damaged by natural hazards.	The related activities are being carried out for the handover of the children's park to the pre-school.	Maintenance should be done properly.
(b) 04 assets valued at Rs.21,198,384 remained idle of the council.	The necessary work is being done.	Methods should be developed and implemented to get maximum benefit from available resources.

3.4 Assets Management

Audit Observation	Comments of the Council	Recommendation
Legal ownership of 65 properties owned by the sabha had not been transferred to the sabha.	That will be taken over in future.	Immediate action should be taken to acquire the respective properties.

3.5 Human Resource Management

Audit Observation	Comments of the Council	Recommendation
As at 31 st December of the year under review, 01 tertiary posts, 08 secondary posts and 06 primary posts were vacant in the council.	That the existing employee vacancies will be filled in the future.	The council should correctly identify the number of employees required and should be approved that number of employees.

3.6 Utilization of Vehicles

Audit Observation	Comments of the Council	Recommendation
(a) The Photon tractor, motor grader and backhoe loader owned by the pradeshiya sabha were parked in the pradeshiya sabha premises without running.	It will be directed to run after repairing and providing tires.	Vehicles should be used after repair or disposed of.

- (b) Necessary action had not been taken to hand over the jeep received by the local government department to the council. The necessary work is being done. Actions for taking over should be done immediately.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Council	Recommendation
(a) An amount of Rs.341,465 had been spent to fulfill 10 different tasks mentioned in the action plan, but the expected level of completion had not been achieved.	The expected level of completion could not be achieved due to the fuel crisis.	Action should be taken to achieve the expected level of completion of the action plan.
(b) Although provision of Rs.35,626,000 had been made for 36 tasks and that 36 tasks were abandoned without achieving the expected results.	That could not be done due to lack of revenue.	The budgeted works should be completed by utilizing the relevant provisions.

4.2 Internal Audit

Audit Observation	Comments of the Council	Recommendation
An adequate internal audit of the council was not conducted during the year under review and the internal audit focused only on the checking of vouchers, leave and industrial sector files.	Such mistakes will not occur.	The audit should be planned and conducted to cover the important areas.