

Puththalama pradeshiya sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Puththalama 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 Puththalama 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) Regarding the 02 legal cases had been taken by the pradeshya sabha had not been disclosed in the financial statements.	That will be presented as a financial note in the next year.	Law suits should be disclosed in the financial statements.
(b) The bail machine valued Rs.1,938,600 had been capitalized twice paid during the year under review.	That will be corrected in future.	Action should be taken to corrected by journal entries.
(c) The purchase value of library books had been under-accounted by Rs.24,410 in the year under review.	-Do-	-Do-
(d) Rs.75,524 had not been accounted as creditors in the year under review.	-Do-	-Do-

1.6.2 Unreconciled Control Accounts or Records

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.25,584,375 and the value of the balances exceeding 05 years was Rs.21,161,681.	That the outstanding balances will be collected in future.	The action should be taken to collected receivable money immediately.
(b) The value of the payable accounts as on 31 st December of the year under review was Rs.4,556,380 and more than 05 years was Rs.735,284.	That will be settled future.	The payable money should be settled immediately.

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 104(1)	Investigations should have been initiated regarding the loss of Rs.59,900 in the year under review but it had not been done.	F R 104 (1) - That an investigation has not been conducted in regarding the relevant incident.	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.37,503,587 as compared with the excess of revenue over recurrent expenditure amounted to Rs.33,139,101 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	Estimated revenue	Billed revenue	2022		Estimated revenue	Billed revenue	2021	
			Collected revenue	Total arrears as at 31 st December			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	3,536	3,267	2,693	2,394	2,986	2,422	1,771	2,539
Rent income	17,800	18,874	14,091	6,136	13,450	11,401	11,097	1,987
License Fees	2,901	1,663	1,663	-	2,751	2,426	2,426	-
Other Revenue	<u>3,050</u>	<u>1,802</u>	<u>1,802</u>	-	<u>25,675</u>	<u>46,610</u>	<u>16,760</u>	<u>48,000</u>
Total	<u>27,287</u>	<u>25,606</u>	<u>20,249</u>	<u>8,530</u>	<u>44,862</u>	<u>62,859</u>	<u>32,054</u>	<u>52,526</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the council	Recommendation
(a) As at 31 st of December of the year under review outstanding balance of assessment tax is Rs.1,498,808, acreage tax is Rs.895,241 and rent is Rs.5,572,153 had not been collected.	The arrears will be collected.	The outstanding revenue should be collected immediately.

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| (b) | Although the assessment tax should be revised once in 05 years, tax was being charged on the valuation made in the year 2005. | It is not possible to collect the assessment as per the new valuation due to the assessment values have not been released. | Revenue should be collected as per updated assessment. |
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3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The Tractor and Trailer received for the Pilisaruru Project had not been registered.	That instructions have been given to do the registration.	Registration should be done immediately.
(b) There was no arrangement to raise revenue by taxing undeveloped land.	That the necessary action have been taken to carry out the survey work.	The revenue should be generated through taxation on undeveloped land.

3.2 Assets Management

Audit Observation	Comments of the Council	Recommendation
There were 138 unclaimed properties within the council area.	That it will be expedited in the future.	Actions should be taken to take over the relevant property immediately.

3.3 Procurement Management

Audit Observation	Comments of the Council	Recommendation
The procurement plan to be prepared according to Section 4.2.1 of the Government Procurement Guidelines had not been prepared for the previous year as well as for the year under review.	That the procurement plan will be prepared from the year 2023.	The procurement plan should be prepared annually.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Council	Recommendation
In the year under review provision of Rs.27,840,000 had been made for 96 tasks but at 31 st December of the year under review the tasks had been abandoned without achieving the expected results.	That the programs could not be fulfilled as expected due to the economic crisis.	Arrangements should be made to complete the estimated works by utilizing the provisions made.

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 attendance, leave and regarding the revenue.

Comments of the Council

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

Recommendation

The audit should be planned and conducted to cover the important areas.