

## **Kandaketiya Pradeshiya Sabha -2022**

---

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the kandaketiya Pradeshiya Sabha for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial operation, and other explanatory information, including a summary of significant accounting policies, was carried out 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 Sabhas Act, No.15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Kandaketiya 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**

My opinion is qualified based 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 this 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 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's financial reporting process.

As per Sub-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 to be prepared.

#### **1.4 Scope of Audit (Auditor's Responsibility in Auditing 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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 the 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 the Pradeshiya Sabha 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**

Special provisions are included in the National Audit Act, No. 19 of 2018 with respect to the following requirements.

- a) Financial statements of the Pradeshiya Sabha are consistent with the preceding year as required by Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- b) The recommendations made by me in the preceding year in accordance with Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018, have been included in the financial statements presented.

## 1.6 Audit Observations on the Preparation of Financial Statements

### 1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Although the value of library books purchased in the year under review totaled Rs. 151,360, that value had been shown as Rs. 193,615 in the financial statements.	Corrective measures will be taken in the ensuing year.	Accounts should be prepared accurately.
(b) Although the value of stock in hand amounted to Rs. 226,199 as at 31 December of the year under review, that value had been shown as Rs. 38,509 in the statement of financial position.	- Do.	- Do.
(c) An expenditure of Rs. 3,147,023 had been incurred on the building constructed for the daycare center during the year under review, but that value had been shown as Rs. 6,615,911 under the acquisition of Property, Plant and Equipment of the year.	- Do.	- Do.

## 1.7 Non-compliance

### Non-compliance with laws, rules, regulations and management decisions

Instances of non-compliance with laws, rules, regulations and management decisions are as follows.

Reference to Laws, Rules, and Regulations etc.	Non-compliance	Comment of the Pradeshiya Sabha	Recommendation	
(a) 1988 Rules of Pradeshiya Sabha (Financial and Administrative)	Rule 218	Action had not been taken to inspect all the lands and building through a board of inspection for the year under review.	The staff has been instructed to follow the Rules.	Lands should be surveyed annually.
(b) Section 23 (b) of the National	An environmental protection license had not	Action will be taken to obtain	An environmental protection license	

Environmental Act No. 47 of 1980. been obtained for disposal of waste. environmental protection license. should be obtained for management of solid waste.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, revenue of the Pradeshiya Sabha in excess of the recurrent expenditure for the year ended as at 31 December of the year under review, amounted to Rs.805,328 as compared to the corresponding revenue in excess of the recurrent expenditure for the preceding year amounting to Rs. 2,193,235.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Outstanding Revenue

Particulars on the estimated revenue, billed revenue, collected revenue and outstanding revenue relating to the year under review and the preceding year as per information presented by the Chairman, are given below.

Source of Revenue	<u>2022</u>				<u>2021</u>			
	Estimated Revenue Rs.	Billed Revenue Rs.	Collected Revenue Rs.	Total Deficit as at 31 December Rs.	Estimated Revenue Rs.	Billed Revenue Rs.	Collected Revenue Rs.	Total Deficit as at 31 December Rs.
(i) Rates	3,008,740	3,415,531	2,791,518	624,013	2,948,740	3,949,667	2,412,220	1,537,447
(ii) Lease Rents	3,968,520	5,164,316	3,294,130	1,870,186	3,949,200	3,545,799	2,479,231	1,066,568
(iii) License Fees	594,600	905,760	905,760	0	595,000	498,990	498,990	Nil
(iv) Other Income	7,206,380	6,684,265	5,634,092	1,050,173	1,969,550	3,797,650	4,526,474	(728,824)
Total	14,778,240	16,169,872	12,625,500	3,544,372	9,462,490	11,792,106	9,916,915	1,875,191

#### 2.2.2 Performance in Collecting Revenue

Observations on the performance of the Sabha in collecting revenue, are as follows.

Audit Observation	Comment of the Sabha	Recommendation
Court fines totaling Rs. 965,644 and outstanding stamp fees totaling Rs. 57,265 receivable from the Chief Secretary of the Pradeshiya Sabha and other officials as at 31 December of the year under review, had not been recovered.	A sum of Rs. 27,265 has been recovered from the outstanding court fines.	Outstanding court fines and stamp fees should be recovered.

### 3. Operating Review

#### 3.1 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Expenditure creditors valued at Rs. 2,451,570 continued to exist over 10 years, and industrial creditors valued at Rs. 1,067,908 continued to exist over 05 years, had not been settled even in the year under review.	Action will be taken to settle in due course.	Creditors' balances should be settled.
(b) Due to failure of the Sabha in paying contribution to the Employees' Provident Fund on time during the period from August 2019 to November 2020, a surcharge of Rs. 87,784 had been paid from the Sabha Fund.	The Commissioner of Local Authorities has been queried in writing as to whether it was possible to pay surcharges from the Sabha Fund.	Contributions to the Employees' Provident Fund should be paid on time.

#### 3.2 Transaction of Contentious Nature

Audit Observation	Comment of the Sabha	Recommendation
Five trade stalls on the land in extent of 12 perches located at the Kandaketiya junction belonging to the Pradeshiya Sabha, had been illegally used by a businessman in the area. The Sabha had taken legal action against that party in the year 1995. The court had returned a verdict that the said businessman be evicted. However, the Sabha had decided in the year 1996 that he should be given rights to a stall. Nevertheless, with court order being unheeded, the said person had continued his business up to the end of the year under review without making any payment to the Sabha.	All the files in this regard have been taken by the Department of Local Government.	Action should be taken in accordance with the court order.

### 4. Accountability and Good Governance

#### Environmental Issues

Audit Observation	Comment of the Sabha	Recommendation
About 25 tons of waste being accumulated annually in the division of the Sabha had been collected without being segregated as degradable and non-degradable, and disposed improperly in the Mahaweli forest reserve over a period of 05 years, thus causing threats from wild elephants and environmental issues.	A location for waste disposal had been taken for discussion at the district coordination committee, and as soon as a suitable location is identified, action will be taken for proper disposal of waste.	Waste should be disposed of properly.