

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Meegahakivula 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 performance, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information 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 Subsection 172(1) of the Meegahakivula 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 financial statements give a true and fair view of the financial position of the Meegahakivula Pradeshiya Sabhas at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 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 (SLAS). 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 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 of the Sabha

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the 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 Sabha's internal control.
- Evaluate the 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.
- 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 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 Institution;
- 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

The special provisions are included in relation to the following requirements specified in the National Audit Act, No.19 of 2018.

- (a) According to the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018, the financial statements of the Pradeshiya Sabha are consistent with the preceding year.
- (b) The financial statements presented includes the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Value of 74 street lamp sets of which each value amounted to Rs.10,000 which had been received to the Sabha under Regional development Assistance Project in the year under review had not been included in the final stock as at 31 December in the year under review.	Action will be taken to correct it by adjusting for the stock in the preparation of accounts in next year.	Accounts should be prepared accurately.
(b) Industry retention in hand amounting to Rs.195,987 which had not been included in the miscellaneous deposit balance had been deducted from Miscellaneous deposits.	Action will be taken to correct by adjusting in the preparation of accounts in the following year.	Accounts should be prepared accurately.

1.7 Non-compliances

Non-compliances with Laws, Rules, Regulations, and Management Decisions

Instances of Non-compliances with Laws, Rules, Regulations, and Management Decisions are given below.

Reference to Laws, Rules, and Regulations, etc.	Non-compliance	Comment of the Sabha	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 104 (4)	Full report had not been submitted within three months from the damage occurred regarding the cab vehicle valued at Rs.7,650,000 belonging to the Sabha, which had been caused damages by setting fire on 09 May 2022.	Board of examination relating to that had been appointed by the Secretary of the Ministry on 02 August 2022.	Examinations should be completed promptly and action should be taken in accordance with the recommendations therein.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs.1,570,375 for the year ended on 31 December 2022 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.3,026,558.

2.2 Revenue Administration

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

According to the information presented by the Chairman, particulars on the estimated revenue, billed revenue, collected revenue and outstanding revenue relating to the year under review and the preceding year, are as follows.

Source of Revenue	<u>2022</u>				<u>2021</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
(i) Rates	4,090,800	3,840,140	3,505,984	334,156	3,930,000	3,564,562	2,486,245	1,078,317
(ii) License Fees	1,500,000	898,135	619,638	278,497	1,500,000	1,045,451	543,465	501,986
(iii) Other Revenue	3,203,500	1,503,303	896,455	606,848	4,961,500	4,873,520	1,945,250	2,928,270
Total	<u>8,794,300</u>	<u>6,241,578</u>	<u>5,022,077</u>	<u>1,219,501</u>	<u>10,391,500</u>	<u>9,483,533</u>	<u>4,974,960</u>	<u>4,508,573</u>

2.2.2 Performance in Collecting Revenue

Observation on performance in collecting revenue in the Sabha given below.

Audit Observation	Comment of the Sabha	Recommendation
(a) Outstanding water charges of Rs.597,391 and outstanding trade stall rents of Rs.1,042,594 which the time analysis has not submitted had not been recovered in the year under review.	Action will be taken to recover the outstanding moneys.	Outstanding revenue should be recovered without delay.
(b) Court fines of Rs.62,807 and stamp fees of Rs.544,040 receivable due from the chief secretary of the Provincial Council and others authorities as at 31 December in the year under review had not been received.	Schedules has been forwarded to recover the outstanding moneys	Outstanding court fines and stamp fees should be received.

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| (c) Two trade stalls out of 10 in the premises of bus stand of the Meegahakivula were remained idle. As such, no any instalment had been charged as at 31 December 2022 from the 08 trade stalls which had been given on lease , the trade stall rent as at that date in arrears was amounted to Rs.180,000. | The General Council had given the approval on 15 July 2020 to maintain the trade stall which has not been given on lease, as a fitness centre. | Trade stalls which are remained idle should be used for the fruitful activities and action should be taken to charge relevant outstanding taxes for the other trade stalls without delay. |
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3. Operating Review

3.1 Execution of duties vested by the Act

Under Section 3 of the Pradeshiya Sabha Act, the matters observed on the execution of the duties which should be executed by the Sabha such as be charged with the regulation, control and administration of all matters relating to public health, public utility services and public thorough fares and generally with the protection and promotion of the comfort, convenience and welfare of the people and all amenities within such area are given below.

Audit Observation

Even though the solid waste which could not be made compost without being disposed into an open land, should be directed to as far as for recycling by separating them, after daily separating of waste , a large number of non degradable waste had been disposed to an open environment .Further, Environmental Protection License also had not been obtained for the waste yard.

Comment of the Sabha

Action will be taken to direct the waste which could not be converted into compost , for the recycling in the Badulla Urban Council .

Recommendation

Waste should be disposed systematically and non-degradable parts should be directed for the recycling .