

Lankapura Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Lankapura Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the statement of assets of liabilities as at 31 December 2022, Statement of Comprehensive Income, Statement of changes in net assets/ equity, cash flow statement for the year 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 read in conjunction with Sub-section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and the Provisions of the National Audit Act No. 19 of 2018. 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 Lankapura Pradeshiya Sabha as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standard for Local Authorities.

1.2. Basis for Qualified Opinion

Based on the matters described in Paragraph 1.6 of this report I express a qualified opinion in respect of financial statements.

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 accordance with Sri Lanka Public Sector Accounting Standard, 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 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, enable to preparing 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 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

National Audit Act, No. 19 of 2018 includes 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 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 Policies

Audit Observation	Comments of the Sabha	Recommendation
The fixed assets had been depreciated at high rates more than the depreciation rates stated under Accounting Policy No. 3.5 included in the financial statements.	Assets remained at inception are depreciated using the reducing balance method over their effective life times and the newly purchased assets are depreciated at the rates of depreciation introduced by the Financial Rules.	Accounts should be kept as disclosed under Notes of the Balance Sheet.

1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Three expenses related to the year under review that had been paid in the year 2023 amounted to Rs.93,508 had not been accounted for under the expenditure of the year under review.	Actions will be taken to correct.	It should be accurately accounted for.

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| (b) | The value of 04 types of assets amounted to Rs.79,398 and the value of 02 types of assets amounted to Rs.102,966 had been understated and overstated respectively as at 31 December of the year under review. | - do - | - do - |
| (c) | The cost of construction of the fence of a public cemetery, the value of which had been completed was Rs.1,926,936, had not been accounted under fixed assets. | The expenditure has been set off against the expenditure under recurrent expenditure in the year 2021. | -do - |
| (d) | Although the value of works Thambala weekly fair building, which had been abandoned was Rs.1,678,127, the value had been accounted for as Rs.3,552,328 under the work-in- progress in fixed assets. | It will be corrected by journal entries. | - do - |
| (e) | The stock of construction materials remained at Thambala weekly fair site valued at Rs.51,000 had not been accounted for under stock in hand. | - do - | -do - |

1.6.3 Unreconciled Accounts

Audit Observation	Comments of the Sabha	Recommendation
There was a difference amounted to Rs.765,388 between the values shown in the financial statements of 04 account balances as at 31 December of the year under review and their values shown in relation with documents/ schedules.	Actions will be taken to correct.	Accurate values should be identified and accounted for.

1.7 Non-compliance

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

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions are shown below.

Reference to Laws, Rules, Regulations, Management Decisions etc.	Non-compliance	Comments of the Sabha	Recommendation
Section 23(b) of the National Environment Act No. 47 of 1980	Twenty two environmental licenses that had expired in 2022 had not been renewed.	Licenses have not been issued to licensees who have not qualified to issue environmental license and it has been informed by letters to rectify the relevant deficiencies.	It should be regulated to conduct business with environmental permits.

2. Financial Review

2.1 Financial Results

As per the financial statements presented, the revenue exceeding the expenditure of the Sabha for the year ended 31 December 2022 was Rs.6,614,736 and the correspondence revenue that exceeded the expenditure of the preceding year was Rs.7,524,216.

2.2 Revenue Administration

2.2.1 Estimated Revenues, Billed Revenues, Collected Revenues and Arrears of Revenues

The details about the estimated income, billed income, collected income and arrears of revenue presented for the year under review and the previous year are as follows.

Source of Income	2022				2021			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	681,900	165,000	165,000	-	411,900	674,000	524,200	149,800
(ii) Rents	18,560,707	17,329,003	16,574,036	2,618,233	11,525,747	10,506,861	8,328,695	2,178,166
(iii) License Fees	1,169,100	1,386,323	1,056,023	330,300	1,018,200	896,142	825,342	70,800
(iv) Other Income	14,660,020	12,001,313	3,374,335	25,579,244	8,850,830	13,768,916	6,078,928	16,952,267
	35,071,727	30,881,639	21,169,394	28,527,777	21,806,677	25,845,919	15,757,165	19,351,033

2.2.2 Performance of Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
(a) Rents		
(i) Steps had not been taken in respect of the settlement of arrears of beef stalls rents ranging from 09 to 11 years as at 31 December of the year under review amounting to Rs.1,350,308.	It has been decided to write off the arrears by the Sabha decision E 03 xi of the Sabha Meeting dated 21.02.2023 and the related activities are being carried out.	It should be settled.
(ii) The rent balance of poultry stall which is outstanding for a period of 08 to 10 years was Rs.456,134.	It has been decided to write off the arrears by the Sabha decision E 03 xi of the Sabha Meeting dated 21.02.2023 and the related activities are being carried out.	-do-
(b) License Fees		
The number of institutions that had been running businesses without obtaining trade licenses, industry licenses and professional	Answers have not been given.	-do-

licenses as at 31 December of the year under review was 341 .

(c) Other Revenues

The revenue from court fine and the revenue from stamp duty which should have been received from the Secretary of the Provincial Council and other authorities as at 31 December 2022 were Rs.18,558,237 and Rs.6,528,240 respectively.

Requests have been made for the recovery of court fines and stamp duty.

Revenue should be collected.

3. Operational Review

3.1 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Due to failure of entering in the buses to Thalpotha New Bus Station constructed at a cost of Rs.2,390,568, it has been idle for over 6 years.	Actions will be taken to put the asset to a suitable purpose in future.	Assets available should be used for public welfare.
(b) The Kubota Land Master valued at Rs.95,912 had been in idle for 5 years.	Necessary arrangements will be made to dispose the tractor on the recommendation of the Board of Survey for the year 2022 .	If the assets are not used, arrangements should be made to dispose.
(c) Five out of 06 mobile stalls with a value of Rs.1,560,000 received from the Ministry of Provincial Councils and Local Government in the year under review had remained inactive due to non-utilization by the persons who had received respective stalls and one person who had obtained a stall had given the said stall to a person outside the administrative area in contrary to the agreement entered into with the Sabha.	Based on the information obtained during the audit, it has been taken over to the Sabha due to the breaching of the agreement entered into with the relevant mobile sales stall with the Sabha.	Actions should be taken to effectively deploy the assets received.

- (d) Although the compost capacity that can be produced by the Kawashima machine installed in 2019 by the Solid Waste uUnit of the Ministry of Local Government and Provincial Councils is about 50 tons per day, because only 2 per cent of the capacity has been utilized by reducing the amount of waste generated due to the lack of such capacity in the administrative area and the high cost of collecting the perishable waste from other Sabhas and the maintenance cost, the investment made on the machine amounted to Rs.145 million had become fruitless.
- As the investment made for the Kawshima Project was fruitless it has been made aware by letters asking for advice.
- Steps should be taken to establish only suitable projects after a feasibility study.

3.2 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
Four out of 05 approved development officer posts, 02 out of 03 librarian posts of the Sabha were in vacant and 08 casual workers were employed for 01 health labour vacancies.	Staff requirements have been reported.	Actions should be taken in respect of vacancies and excesses.