

Madurawala Pradeshiya Sabha -2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Madurawala Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Statement of Assets and Liabilities as at 31 December 2022, Comprehensive Income Statement, Statement of changes in net 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 accompanying financial statements give a true and fair view of the financial position of the Madurawala 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 Standards for Local Authorities.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 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 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 skepticism 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Non-compliance with Sri Lanka Public Sector Accounting Standard for Local Authorities

Non-compliance with reference to relevant standard	Comment of the Sabha	Recommendation
The statement of cash flows has not been prepared in accordance with Chapter No. 3.27 to 3.32 of the Standard.	This shortcoming will be rectified when submitting the financial statements for the year 2023.	The public sector accounting standard for local authorities should be followed.

1.6.2 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) The employee's deposit of Rs.748,746 and the corresponding deposit investment of the Sabha were not shown in the financial statements as at 31 December of the year under review.	The employee deposit amount and the corresponding deposit investment value will be presented in the statement of assets and liabilities.	Should be properly accounted.
(b) The value of the Waste Management Centre guardhouse was understated by Rs.20,000 in the financial statements.	It will be corrected when preparing the financial statements for the year 2023.	-do-
(c) The stock balance total had been understated by Rs.162,770 as at 31 December of the year under review.	The understated stock balance will be corrected in future.	-do-

1.7 Non-compliances

Non-compliance with Laws, Rules, Regulation and Management Decisions

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below

Reference to Laws, Rules, Regulation and Management	Non – Compliance	Comment of the Sabha	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987			
(i) The Section 21	The number of roads owned by the Sabha was not identified and registered.	The collection of data on the nature of local council roads has already started.	Action should be done according to the Pradeshiya Sabha Act.

- (ii) Section 158(a) The prohibition of property was not taken as a last step to collect assessment tax. The action will be taken to do at the end of the third quarter of the year 2023. -do-
- (b) The Financial Regulations 1645 of the Democratic Socialist Republic of Sri Lanka Log books related to 22 vehicles owned by the Sabha were not kept up to date. The logs with deficiencies will be promptly updated in the future Action should be taken according to the Financial Regulation

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2022 amounted to Rs3,712,883 as against with the excess of recurrent expenditure over revenue amounting to Rs. 1,239,525 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 Sabha, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are as follows

	Source of Revenue	2022				2021			
		Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
(i)	Rates and Taxes	1,647,544	822,720	852,052	1,035,335	1,632,948	1,824,617	1,034,050	790.566
(ii)	Rent	190,100	-	46,500	-	264,100	42,600	47,700	42,600
(iii)	License Fees	713,000	380,500	511,693	-	623,000	411,250	643,118	-
(iv)	Other Revenue	19,401,500	-	6,838,390	11,600,000	17,572,100	-	5,147,763	11,600,000
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		21,952,144	1,203,220	8,248,635	12,635,335	20,092,148	2,278,467	6,872,631	12,433,166
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2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Sabha are given below

	Audit Observation	Comment of the Sabha	Recommendation
(a)	According to the assessment tax period analysis, the assessment tax deficit	The property with outstanding balances will be banned by the	Actions should be taken to recover the arrears of

between years 01 to 03 is Rs.84,542, the last quarter of 2023. income.
 deficit between years 03 to 05 is
 Rs.202,755, the deficit between years 05
 to 10 is Rs.54,335 and the excess deficit
 over 10 years was Rs.47,816.

- (b) The court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities on 31 December 2022 were Rs.3,345,952 and stamp fees was Rs.41,100,000. The schedules have been prepared and sent to relevant institutions for checking. Arrears of court fines and stamp fees should be collected expeditiously.

3. Operational Review

3.1 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
The bell machine valued at Rs. 784,300, which was donated by the Ministry of Provincial Councils and Local Government in year 2016, remained unused in the fertilizer yard for almost 02 years.	The arrangements are being made to obtain the services of an outside mechanic to repair the bell machine.	The assets of the Sabha should be used in fruitful activities.