

1. Financial Statements

1.1. Qualified Opinion

The audit of the financial statements of the Attanagalla 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 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 Attanagalla 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

I expressed qualified opinion 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 Sri Lanka Public Sector Accounting Standards for Local Authorities, 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 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 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 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

Unreconciled Control Accounts or Reports

Audit Observation	Comments of the Recommendation Sabha
Stationery, Health Products, Tanning Products and Ayurvedic Products purchases which were debited to Supplies Accounts, even though, had been debited to relevant stock accounts again, there had been a difference of Rs.9,685,894 between those values and there had been a difference of Rs.9,681,947 between the consumption of the supply value during the year and the comprehensive expense.	Store Creditor Differences should be identified and maintained from the year 2023. corrected.

1.7. Non- Compliances

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

The following are the instances where Laws, Rules, Regulations and Management Decisions had not been complied with

Reference to Non-compliance Laws, Rules Regulations	Comments of the Recommendation Sabha
(a) Section 20 of the Rating and Valuation Act No.30 of 1946	Even though, assessments for Rates should have been executed by the Department of Valuation, once in 05 years, 02 sub offices had charged rates based on the assessment done 14 years ago.
(b) Financial Regulations 571(i)	Deposits made between the years 2004 and 2020, which exceeds 02 years, amounting to Rs.3,060,982, had not been regularized.
(c) Department of Local Government (Western	Even though, the assessment should be revised every 03 years from the agreement date,
	As per the agreements of 10 shop, renewal should be done
	Assessments should be made and Rent should be charged according to new

Province) the last revision had been once in 05 years rates.
 Circular The made in the year 2014 for and it should have
 assessment No. 10 shops and in in the been done in the
 LGD/13/2016 year 2009 for 05 shops. year 2019.
 Dated 09 Applications have
 November been made to
 2016 assess those shops.

2. Financial Review

2.1. Financial Result

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2022 amounted to Rs.59,614,955 as compared with the revenue over expenditure amounted to Rs.76,585,446 in the preceding year.

2.2. Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears Revenue

Revenue Source	2022				2021			
	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears Revenue as at 31st December	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears Income as at 31st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates & Taxes	32,702,400	34,204,457	32,884,417	30,661,387	28,949,731	34,634,478	33,245,678	31,359,741
(ii) Rent	12,432,745	39,188,773	31,229,555	38,381,665	17,708,241	17,728,466	15,505,896	5,931,626
(iii) License Fees	1,583,000	1,597,976	1,597,976	-	1,241,500	1,171,100	1,171,100	-
(iv) Other Income	362,839,798	318,695,105	354,025,698	74,143,644	417,210,180	376,418,380	316,230,489	325,650,119
	<u>409,557,943</u>	<u>393,686,311</u>	<u>419,737,646</u>	<u>143,186,696</u>	<u>465,109,652</u>	<u>429,952,424</u>	<u>366,153,163</u>	<u>362,941,486</u>

2.2.2 Revenue Collection Performance

Observations related to Revenue Collection performance of the Sabha are given below.

Audit Observation	Comments of the Sabha	Recommendation
(a) Rates and Taxes		
Rates arrears as at 31 December 2022 had been Rs.30,135,039 included, value of Rs.6,329,071	Removal through systematic inspections, Evictions, Mobile Services, Door to	Actions should be taken to recover arrears Rates in terms

exceeding 10 years of chargeable period, value of Rs.8,690,067 between 05 to 10 years and a value of Rs.6,623,024 between 03 to 05 years.

door canvassing, Red Notice Delivery are in operation.

of the regulations of the Act.

(b) Rent

Arrears Shop Rent as at 31 December 2022 had been Rs.37,331,243 and included Rs.725,710 chargeable between 05 to 10 years and Rs.19,289,340 for 03 to 05

There is a pending litigation for new assessment and actions are being taken to write off rent for 07 shops.

Actions should be taken to charge arrears rent as per agreements.

3. Operational Review

3.1. Discharging the Duties Assigned by the Act

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 3 of the Pradeshiya Sabha Act are shown below.

Audit Observation

Out of the 464 Public Complaints received by the Sabha during the period up to 31 December 2022, 223 complaints with a percentage of 48, had not been resolved as of 19 May 2023.

Comments of the Sabha

Inspecting and in Progress

Recommendation

Public Complaints should be resolved

3.2. Management Inefficiencies

Audit Observation

Although, the Attanagalla Pradeshiya Sabha had paid on 15 May 2019, an amount of Rs.1,876,800 from the Sabha Fund to the plaintiff of the Land Law Suit No.39/980 as per the ruling made, losses had not been recovered from responsible parties.

Comments of the Sabha

According to the Investigation Report received from the office of Assistant Commissioner – Local Authorities, the Public Representatives and Officers who are the defendants are informed to pay. As the Public Representatives had not received a formal Surcharge Letter, payments are not made.

Recommendation

Losses should be charged.

3.3. Employee Loans

Audit Observation	Comments of the Sabha	Recommendation
Arrears Loan Balances of Rs.138,187 as at 31 December 2022 of 03 officers of the Sabha, had not been recovered as of 19 May 2023.	Information is being searched.	Actions should be taken to recover Employee Loans.