

Meerigama Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Meerigama 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 Meerigama 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 express qualified opinion 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 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 except for the 1.6.1 observation in the 1.6 paragraph in this report.

1.6 Audit Observations on the Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
A total value of Rs.8,355,598 of work for which cash were not reimbursed, though, work completed in 03 to 10 years, had been accounted as Industrial Debtors and Capital Grants in the financial statements for the year under review but that value had not been accounted as Creditors and Property Plant and Equipment.	Will be corrected in the year 2023.	Should be accounted accurately.

1.6.2 Absence of Written Evidences for Audit

Audit Evidence Not Provided	Comment of the Sabha	Recommendation
Examinations could not be carried out satisfactorily during the Audit since Industrial Debtor Schedules and Deposit Schedules had not been presented for 02 account balances amounting to Rs. 3,719,801 as at 31 December of the year under review.	Will be corrected in the year 2023.	Schedules should be accurately prepared.

1.7 Non -Compliances

Non Compliance with Law, Rule, Regulations and Management Decision

Reference to Law, Rule, Regulations	Non – Compliance	Comments of the Sabha	Recommendation
(a) Section 20 of the Rating & Valuation Act No. 30 of 1946	Rates of the current year had been charged based on the assessment in the year 2009.	Assessment activities of Rates are being carried out.	Rates should be assessed once in 05 years and should be charged based on new rates.
(b) Financial Regulations 371	Actions had not been taken with regard to 98 nos. unsettled	A request had been made for a Committee comprising an	Advances should be settled.

Advance Balances independent person. from the year 1991 to Accordingly, actions will the year 2012 of the be taken to correct Sabha, amounting to balances. Rs.6,184,773.

(c) Financial Regulations 571 Rs.1,149,362 of Deposits exceeding 02 years, had not been regulated. Actions will be taken as per Regulations, to settle. Deposits should be regulated.

(d) Paragraph 07 of the Circular 1980/46, Dated 01 December 1980 of the Commissioner of Local Authorities. Actions had not been taken with regard to 04 shops that had been given on interim lease. Instructions have been given to act according to the Circular. Actions should be taken in terms of the Circular.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2022 amounted to Rs.62,390,419 as compared with the excess of revenue over expenditure amounted to Rs.7,961,437 in the preceding year.

2.2 Revenue Administration

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

As per the information presented by the Secretary, particulars relating to the Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Income Source	2022				2021			
	Estimated Income	Billed Income	Collected Income	Arrears Income as at 31st December	Estimated Income	Billed Income	Collected Income	Arrears Income as at 31st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates & Taxes	14,817,700	12,178,416	13,073,421	7,327,151	14,258,400	15,124,445	14,108,572	8,445,457
(ii) Rent	38,066,600	29,586,530	33,614,763	5,061,651	37,069,800	28,297,352	23,936,718	9,116,434
(iii) License Fees	2,150,000	1,640,045	1,640,045	59,725	1,900,000	1,277,761	1,277,561	59,725
(iv) Other Income	205,557,000	251,372,651	240,124,295	10,308,076	217,663,500	160,942,089	140,810,792	20,128,392
	<u>260,591,300</u>	<u>294,777,642</u>	<u>288,452,524</u>	<u>22,756,603</u>	<u>270,891,700</u>	<u>205,641,647</u>	<u>180,133,643</u>	<u>37,750,008</u>

2.2.2 Revenue Collection Performance

Observations relating to Revenue Collection Performance of the Sabha are stated below.

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Arrears Rates Balance of Rs.7,316,390, as at the last day of the year under review, included, a balance of Rs.3,362,244 of which, arrears period was over 10 years, a balance of Rs.1,163,261 between 05 to 10 years, balance of Rs.863,888 between 03 to 05 years.	Rs.442,882 had been able to charge from the balance.	In terms of the regulations of the Act, arrears Rates should be charged.
(b)	As per the age analysis as at the last day of the year under review, Trade Stall Rent Receivable balance had been Rs.3,908,150 and Rs.324,800 out of it, was between 03 to 05 years and Rs.67,600 was for 05 to 10 years.	Instructions had been given to charge making e aware shopkeepers, and to take legal actions	Rent should be charged according to Agreements.
(c)	No amount of Industrial tax amounting to Rs.44,330 as at the beginning date of the year under review, had been charged.	Arrears mount has been referred for approval to write off.	Arrears Industrial Tax should be charged.
(d)	Key Monies amounting to Rs.46,366,800, for 28 shops as per the assessment given by the Valuation Department in 2019 and for 05 shops given by tenders, had not been charged.	Will be charged having shop owners are summoned and discussed.	Key Money Balances should be charged.

3. Operating 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	Comment of the Sabha	Recommendation
357 Public Complaints were received by the end of the year under review as, 58 relating to Roads, 37 relating to Unauthorized	Remaining Complaints will be resolved promptly.	In terms of the powers of the Act and Interim Articles, Public Complaints should be resolved.

Constructions, 125 relating to Dangerous Trees out of which, 185 Complaints had not been resolved.

3.2 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
16 lands in extent of 02 Acres 03 Roods and 06 lands of which, extents are not identifiable specifically, owned by the Sabha, had not been valued and accounted.	Corrections will be done in the final accounts of the year 2023.	Values should be assessed and accounted.

3.3 Operational Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Agreements had not been entered into for 206 out of 341 shops and most of the lease agreements had been signed even before 20 years ago.	Actions will be taken to sign Lease Agreements for shops after receiving new assessments.	Lease Agreements should be entered into.
(b) Land, bearing Deed No. 11565, in extent of 03 Roods and 12 Perches, valued at Rs.13,200,000 had not been acquired to the Sabha.	Will be arranged when preparing final accounts for the year 2023.	Lands should be acquired.
(c) Industrial Debtor Balance as at the last date of the year under review, had been Rs.24,477,204.	Actions will be taken to write off an amount from the Industrial Debtor Balance and to charge the amount, which should be brought forward.	Debtors should be settled.
(d) Industrial Creditor Balance as at the last date of the year under review, had been Rs.35,179,224.	Actions will be taken to write off an amount and to pay the amount, which should be brought forward.	Creditor Balances should be settled.

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| (e) | According to the employee loan advances account of the year under review, the amount recovered during the year was Rs.8,838,866, though the minimum limit of receipts authorized by the annual budget was Rs.12,000,000. | A separate Advance Account is being maintained. | Minimum Limits of the Receipts should be achieved. |
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3.4 Human Resource Management

Audit Observation

Charging of Employee Loans, amounting to Rs.225,761 of 02 officers, who had died and vacated office, had been outstanding.

Comment of the Sabha

Paying Pensions have been terminated. The Director – Pensions and the Divisional Secretary – Meerigama have been informed in writing to recover and remit the amount due to the Sabha.

Recommendation

Employee Loans should be charged.