

Karaichchi Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Karaichchi Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022, statement of financial performance, statement of changes in equity, cash flow statement for the year then ended 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 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 Karaichchi Pradeshiya Sabha as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Practices.

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 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.

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

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
11 development works of Rs.6,648,000 implemented during the year under review had not been identified as fixed assets.	Action will be taken to include in this year.	It should be properly accounted for.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comment of the Sabha	Recommendation
The relevant information including the necessary rental agreements to verify the correctness of the room rents and leases due from 84 stalls for the previous years totalling Rs.3,115,343 had not been submitted for the audit.	Further action will be taken to recover.	Action should be taken to submit the required evidence for the audit.

1.7 Non-compliances

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

Non-compliance with Laws, Rules and Regulations	Non-compliances	Comment of the Sabha	Recommendation
Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	Thirteen security deposits totalling Rs. 719,150 for more than 02 years had not been settled.	Action is being taken to settle.	Action should be taken according to the Financial Regulations.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2022 amounted to Rs. 139,813,643 as compared with the excess of revenue over recurrent expenditure amounted to Rs.147,229,986 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, information relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Source of Revenue	2022				2021			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	31,319,374	28,909,783	12,833,672	52,542,528	36,000,000	41,068,972	15,461,888	51,017,142
Rent	50,327,930	63,567,197	59,429,615	10,449,436	46,425,269	60,470,168	48,075,184	20,106,286
License Fees	11,245,150	10,654,432	10,654,432	-	9,914,000	9,631,005	9,631,005	-
Other revenue	<u>69,992,360</u>	<u>104,197,935</u>	<u>90,072,768</u>	<u>1,809,175</u>	<u>54,580,424</u>	<u>84,969,725</u>	<u>76,903,602</u>	<u>943,746</u>
	<u>162,884,814</u>	<u>207,329,347</u>	<u>172,990,487</u>	<u>64,801,139</u>	<u>146,919,693</u>	<u>196,139,870</u>	<u>150,071,679</u>	<u>72,067,174</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Comment of the Sabha	Recommendation
The outstanding assessment tax balance from 19,448 residents for more than 04 years was Rs. 47,920,345 , and there was also a balance of outstanding leases, rents and various charges of Rs. 9,522,589 for the period from 02 to 10 years.	Actions are being taken to recover the arrears.	Arrears of revenue should be recovered immediately.

3. Operating Review

3.1 Idle and underutilized Property, Plant and Equipment

Audit Observation	Comment of the Sabha	Recommendation
The Vannerikkulam tourist center constructed in the year 2016 under the Provincial Specific Development Grants has not been made suitable for travellers so far and the Rs. 4,790,078 spent in this regard had become an uneconomical expenditure.	Further steps will be taken in this regard.	Assets should not be left unused.

3.2 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
Loan balance of Rs. 2,274,784 to be paid to the Local Credit Development Fund for more than 05 years had not been settled up to now.	Documents in this regard and requests from the loan fund had not been received.	Actions should be taken to settle the loan amount.

3.3 Operating Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
The collective fertilizer project started in Ananthanagar in 2017 had failed due to the garbage not being properly segregated and collected and Rs. 4,090,488 spent in this regard had become an uneconomical expenditure for a period of 05 years.	Action will be taken.	Assets should not be left unused.

3.4 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
18 vehicles and 108 lands with extent of 354 acres being used by the Sabha for more than 05 years had not been acquired up to now.	Action is being taken to transfer the ownership.	Action should be taken to settle the ownership to the Sabha.

3.5 Human Resources Management

Audit Observation	Comment of the Sabha	Recommendation
Five outstanding loan balances totalling Rs.184,659 had not been recovered for the period from 07 to 13 years.	Recovery is uncertain due to non-traceability of books relating to this loan balance.	Action should be taken according to Establishment Code.

4. Accountability and Good Governance

Environmental Issue

Audit Observation	Comment of the Sabha	Recommendation
In the area selected for disposal of solid waste, appropriate measures to spray mosquito oil for preventing the spread of mosquitoes and to prevent bad smell had not been carried out for 02 years.	It will be done in the future.	Garbage should be disposed of in an eco friendly manner.