

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Akurana Pradeshiya Sabha for the year ended 31 December 2022 comprising the balance sheet as at 31 December 2022 and the income and expenditure account, and other explanatory information, including a summary of significant accounting policies, was carried out 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 Pradesiya Sabha Act, No.15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Akurana Pradeshiya Sabha as at 31 December 2022, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified Opinion

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the 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 this 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 to be prepared.

1.4 Scope of Audit (Auditor's Responsibility in Auditing 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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 the 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 the Pradeshiya Sabha 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

Special provisions are included in the National Audit Act, No. 19 of 2018 with respect to the following requirements.

- The Financial Statements of the Pradeshiya Sabha are consistent with that of the preceding year as required by Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- The recommendations made by me during the previous year are included in the financial statements presented as required by 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
(a) Without entering into agreements or any other obligation, provision of Rs. 500,000 made to obtain electricity supply to the Yalugahawela waste yard had been accounted for under the creditors.	That an estimate was obtained after making an oral enquiry.	Accounts should be prepared accurately.
(b) The expenditure incurred on the development of Yalugahawela compost yard had been overstated by Rs. 4,758,298 in the accounts.	That the expenditure for the entire project has been capitalized.	Expenditures should be capitalized.
(c) A receivable three-wheeler licence charges of Rs. 4,603,560 that had been carried forward from the year 2015 had not been included in the financial statements of the year under review.	Action will be taken to account for the existing deficit in the future.	Revenue should be accounted for

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs.36,993,987 between the balances related to 06 items of accounts stated in the financial statements and the balances shown in the relevant schedules.	Action will be taken to correct financial statements and schedules	Account balances should be corrected.

1.7 Non-compliance

Non-compliance with laws, rules, regulations and management decisions

Instances of non-compliance with laws, rules, regulations and management decisions are as follows.

Reference to laws, rules, and regulations	Non-compliance	Comment of the Sabha	Recommendations
Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 571 (3)	Twelve deposits totaling Rs. 161,639, including 07 mixed deposits related to the period from 2009 to 2019 and 05 projects deposits related to the period from 2018 to 2020 had not been disposed of.	Requests have not been made for payments	Action should be taken in accordance with Financial Regulations.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 57,683,350 for the year ended on 31 December 2022 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 33,400,644.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

According to the information submitted by the Chairman, the particulars on the estimated revenue, billed revenue, collected revenue and outstanding revenue relating to the year under review and the preceding year, are as follows.

2022

2021

Source of Revenue	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	7,626,800	8,671,101	8,632,142	3,545,301	7,626,800	7,912,202	6,271,769	3,506,342
(ii) Rents	6,383,839	6,794,574	6,910,641	320,368	5,763,839	4,851,949	3,227,019	436,435
(iii) License Fees	3,855,000	4,180,200	4,180,200	-	3,630,000	4,141,450	3,445,900	-
(iv) Other Revenue	34,057,500	68,030,719	60,709,758	27,286,976	69,763,400	75,108,357	17,811,077	19,996,015
	<u>51,923,139</u>	<u>87,676,594</u>	<u>80,432,741</u>	<u>31,152,645</u>	<u>86,784,039</u>	<u>92,013,958</u>	<u>30,755,765</u>	<u>23,938,792</u>

2.2.2 Performance in the Collection of Revenue

Audit Observation	Comment of the Sabha	Recommendation
(a) Rates and Taxes		
i. The outstanding balance of rates by the end of the year under review was Rs. 3,544,986 and action had not been taken to recover the outstanding rates totaling Rs. 805,215 due from 46 rating units with outstanding rates exceeding Rs.10,000 per unit.	Action will be taken to collect the outstanding revenue.	Revenue should be collected by taking steps in accordance with provisions of the Act.
ii. Although the rateable properties shall be valued at least once in 05 years in terms of Section 20 of Rating and Valuation Ordinance No.30 of 1946, rates for the year 2022 had been levied based on the valuation report of the year 2011.	That the valuation activities are currently going on	Valuations should be carried out once in 05 years.
(b) Other Revenue		
Action had not been taken to recover outstanding advertisement boards charges of Rs. 206,600 as at 31 December of the year under review.	Steps have been taken to proceed with legal actions.	Revenue should be collected.

2.2.3 Court Fines and Stamp Duty

Court fines and stamp duty receivable from the Chief Secretary of the Provincial Council and the other authorities as at 31 December of the year under review amounted to Rs. 1,830,689 and Rs. 25,433,495, respectively.

Action will be taken to recover the revenue related to the schedules for which request letters have been received to obtain schedules.

Court fines and stamp duty related to the year should be recovered.

3. Operating Review

3.1 Execution of duties entrusted by the Act

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act , being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Twenty-four development schemes for which provisions of Rs. 4,600,000 had been allocated from the annual budget had not been implemented.	By changing the proposals for which allocations were made from the budget, they were implemented.	Approved projects should be implemented.
(b)	Although the non-degradable waste of the of the Yalugahawela Waste Yard had been burnt by the incinerator, the ash generated therefrom had been harmfully released to the environment and the strainer machine remained idle without being used for organic fertilizer production.	After completing the work at the waste yard and repairing the strainer machine, it will be put into use.	The machine should be used for the waste management process.
(c)	According to the provisions of Section 93 (b) of the Pradeshiya Sabha Act, No. 15 of 1987, a gully bowser service had not been maintained so as to ensure proper cleaning and emptying of toilet pits for the disposal of sewage waste in the area.	Relevant service is obtained from other Sabhas.	Action should be taken in accordance with the provisions of the Act.

3.2 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Four receivable balances as at 31 December of the year under review totalled Rs.36,667,265, of which account balances totalled Rs.3,887,680 related to a period from 03 to 05 years and the balances totalled Rs. 3,545,815 continued to exist for more than a period of 5 years had not been recovered.	Action will be taken to recover the relevant money.	Receivable balances should be recovered.
(b) Two payable balances as at 31 December of the year under review totalled Rs.39,625,612, of which account balances totalled Rs.11,250,264 related to a period from 01 to 03 years totalling and the account balances related to the period from 03 to 05 years totalling Rs.695,056 had not been settled.	Action should be taken to settle the relevant money.	Payable balances should be settled.
(c) The ownership of 02 tractors used by the Sabha had not been taken over and any details related to those vehicles and machines had not been maintained.	Information regarding the ownership and the vehicles without details will be ascertained and action will be taken accordingly, in the future.	The ownership should be confirmed.
(d) The ownership of the land on which the Pansalathenna cemetery is located and the land of the Wilana Udagama Hapugolla Estate which are being used by the Sabha had not been taken over.	After carrying out surveys, action will be taken to take over the lands.	Action should be taken to take over the ownership.

3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comment of the Sabha	Recommendation
The motor grader valued at Rs. 17,649,179 remained idle and underutilized for a period of 06 years.	Action will be taken to exchange it with another Sabha.	Assets should be used effectively.

3.4 Human Resource Management

Audit Observation	Comment of the Sabha	Recommendation
(a) Cadre Vacancies and Excesses		
When comparing the approved cadre and the actual cadre, there were 24 vacancies in 10 positions, while there were 20 excess cadre in 02 positions.	The implementation of government policies resulted in these vacancies.	Vacancies should be filled.
(b) Employees' Loans		
A loan balance of Rs. 383,272 due from two officers who had been transferred in January and March in the previous year and Rs.6,645 due from a deceased officer had not been recovered.	Action will be taken to recover the loan balances.	Loan balances should be recovered.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comment of the Sabha	Recommendation
When comparing the estimated income and expenditure of the budget prepared for the year under review with the actuals, variations ranging from 10 per cent to 163 per cent were observed relating to 04 items of income, while variations ranging from 12 per cent to 43 per cent were observed in relation to 05 items of expenditure. Accordingly, the budget had not been made use of as an effective instrument in control.	Due to the inflation situation, income and expenditure could not be met in optimum manner.	The budget should be prepared with due regard in keeping with the necessities.

4.2 Sustainable Development Goals

Audit Observation	Comment of the Sabha	Recommendation
Although the Sabha had identified sustainable development goals and targets in terms of the Sustainable Development Goals Act, No.19 of 2017, action had not been taken to achieve them.	Action will be taken to achieve the goals.	Action should be taken to identify the goals and targets and implement them.