

Maritimepattu Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Maritimepattu 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 a summary of 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 Maritimepattu 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.

- 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.
- 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
(a) 04 vehicles not belonging the sabha totalling Rs. 11,816,000 had been accounted as assets owned by the sabha.	Adjustments will be made in the year 2023.	Accounts should be properly prepared.
(b) An electric motor, photocopier and fingerprint machine purchased by the sabha during the year under review totalling Rs.454,600 had not been accounted as fixed assets.	Actions had been taken to make appropriate adjustments.	The value of those assets should be shown in the financial statements.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comment of the Sabha	Recommendation
The outstanding lease rent balance as at 31 December 2022 shown in the arrears lease schedule was higher than the balance as at that date according to the financial statements by Rs. 491,813.	Actions are being taken to settle.	A comparison should be made.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comment of the Sabha	Recommendation
Balance confirmations had not been submitted for arrears lease of Rs. 1,533,975.	It will be submitted in the near future.	The information required for the audit should be submitted.

1.7 Non-compliances

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

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions etc are given below.

Non-compliance with Laws, Rules, Regulations and Management Decisions	Non-compliances	Comment of the Sabha	Recommendation
(a) Section 33 of Chapter III of Pradeshiya Sabha Financial and Administrative Rules of 1988	No action had been taken to make calculations regarding to the rates and taxes.	Actions are being taken to calculate.	Appropriate measures should be taken to calculate and recover the rates and taxes.
(b) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	13 lapsed deposits over 02 years totalling Rs. 200,908 had not been settled.	Actions had been taken to settle.	Actions should be taken as per 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. 35,431,286 as compared with the excess of revenue over recurrent expenditure amounted to Rs.49,548,438 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 December 31	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Rates and Taxes	1,100,000	171,980	171,980	-	10,000	3,666,570	3,666,570	-	
Rent	25,749,480	20,702,378	19,669,220	2,612,653	18,387,674	20,641,364	15,963,714	4,677,650	
License Fees	3,672,400	3,376,912	3,376,912	-	2,434,400	3,377,835	3,377,835	-	
Other revenue	<u>28,530,390</u>	<u>33,970,286</u>	<u>33,970,286</u>	-	<u>34,713,330</u>	<u>37,782,437</u>	<u>37,782,437</u>	-	
	<u>59,052,270</u>	<u>58,221,556</u>	<u>57,188,398</u>	<u>2,612,653</u>	<u>55,545,404</u>	<u>65,468,206</u>	<u>60,790,556</u>	<u>4,677,650</u>	

2.2.2 Performance in Revenue Collection

Audit Observation	Comment of the Sabha	Recommendation
Arrears of rent amounting to Rs. 2,612,653 had to be recovered for the period between year 01 and year 05.	Actions had been taken to recover.	Appropriate actions should be taken to recover arrears of rent.

3. Operating Review

3.1 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
The ownership of 12 vehicles being used by the Sabha had not been taken over.	No comments.	Ownership of assets should be settled.

3.2 Human Resources Management

Audit Observation	Comment of the Sabha	Recommendation
For the past 13 years, no steps had been taken to recover the outstanding staff loan balances totalling Rs.456,846 of 08 employees who retired, left service, transferred out and deceased in accordance with Section 4 of Chapter XXIV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka.	Actions had been taken to recover.	Actions should be taken to recover.