

## **Thunukkai Pradeshiya Sabha - 2022**

---

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Thunukkai 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 Thunukkai 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
The accounting policies followed by the Sabha in preparing the financial statements had not been disclosed in the financial statements for the year under review.	It will be disclosed in the financial statements for the year 2023	The accounting policies followed should be disclosed in the financial statements.

### 1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comment of the Sabha	Recommendation
Due to non-submission of income ledger, receipts and rental agreements, the correctness of motor grader revenue of Rs. 3,354,330 could not be verified.	It is maintained from the year 2023.	Steps should be taken to present relevant evidence.

## 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. 14,830,316 as compared with the excess of revenue over recurrent expenditure amounted to Rs.13,900,387 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	24,250	30,200	30,200	-	24,250	12,350	12,350	-
Rent	12,338,746	10,454,670	10,023,145	727,360	11,008,150	9,735,085	7,393,090	2,341,995
License Fees	512,400	441,600	441,600	-	494,700	529,600	529,600	-
Other revenue	<u>15,727,585</u>	<u>17,067,489</u>	<u>17,053,989</u>	<u>825,782</u>	<u>3,422,900</u>	<u>2,896,160</u>	<u>2,896,160</u>	<u>704,456</u>
	<u>28,602,981</u>	<u>27,993,959</u>	<u>27,548,934</u>	<u>1,553,142</u>	<u>14,950,000</u>	<u>13,173,195</u>	<u>10,831,200</u>	<u>3,046,451</u>

### 2.2.2 Performance in Revenue Collection

#### Audit Observation

The arrears of rent amounting to Rs.727,360 had not been recovered in the year under review.

#### Comment of the Sabha

No answer had been given.

#### Recommendation

Arrears of revenue should be recovered promptly.

## 3. Operating Review

### 3.1 Management Inefficiencies

#### Audit Observation

04 stalls on the top floor of the Mallavi market stall complex had been closed for a period of 05 years due to which the Sabha had lost the rent income to be received by the Sabha therefrom.

#### Comment of the Sabha

Bids were invited but none came forward.

#### Recommendation

Assets should not be left unused.

### 3.2 Assets Management

#### Audit Observation

Actions had not been taken to transfer the ownership of 05 vehicles such as water bowsers and tractors which were donated to the Sabha.

#### Comment of the Sabha

Copies of registration books are not available.

#### Recommendation

Further action should be taken after consulting the Department of Motor Traffic.

**4. Accountability and Good Governance**  
**Environmental Issue**

**Audit Observation**

The sabha had not taken any actions to obtain environmental permits for the places where solid waste is stored, to segregate and collect garbage and to recycle solid waste.

**Comment of the Sabha**

Actions will be taken to segregate waste and obtain environmental permits.

**Recommendation**

Solid waste should be properly managed.