

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Akkaraipattu Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Balance Sheet as at 31 December 2022, Income and Expenditure Account, 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 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 Akkaraipattu 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 Practicals, 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 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 includes 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	Comments of the Council	Recommendation
(a) The value of the Garbage Grinder purchased during the year under review for Rs.969,500 had not been shown in the financial statements.	That will be shown in the next financial accounts.	Financial statements must be prepared accurately.
(b) The value of Rs.284,659 of the television provided by the Local Government Department in the year under review, was not shown in the financial statements.	-Do-	- Do -
(c) The value of 06 types of wooden furniture and Lenovo tape recorder handed over to the Sabha by the Local Government Department in the year under review was not assessed and shown in the financial statements.	- Do -	- Do -
(d) The total amount spent on purchase and installation of solar cell lights was Rs.2,233,500, it was shown in the financial statements as Rs.2,162,348.	That the action had been taken to correct and accounted for.	- Do -
(e) The cash advance receipts and payments were amounting to Rs.5,200,035 and Rs.7,778,882 respectively, but due to an error it had been shown in the cash flow statement as Rs.12,686,361 and Rs.12,998,872 respectively.	Action will be taken to correct the advance receipts and payments.	- Do -

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of recurrent expenditure over income of the Sabha for the year ended 31 December 2022 amounted to Rs.1,516,767 as against the excess of income over recurrent expenditure amounted to Rs.249,928 in the preceding year

2.3 Revenue Administration

2.3.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

According to the information submitted, 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.)
i. Rates and Taxes	50,000	150,000	150,000	-	25,000	-	-	-
ii. Rent	3,850,000	3,522,969	3,661,974	-	3,110,000	3,613,270	3,561,674	139,005
iii. Income License Fees	600,000	469,450	469,450	-	518,000	573,150	573,150	-
iv. Other revenue	4,395,000	494,657	494,657	-	4,262,500	825,282	1,069,825	-
Total	<u>8,895,000</u>	<u>4,637,076</u>	<u>4,776,081</u>	<u>-</u>	<u>7,915,500</u>	<u>5,011,702</u>	<u>5,204,649</u>	<u>139,005</u>

2.2.2 Performance in Revenue Collection

The observations regarding the performance in revenue collection of the Sabha are as follows.

Audit Observations	Comments of the Council	Recommendations
(a) Courts Fines and Stamp Duty		
(i) Court fine fees of Rs.1,916,700 and stamp duty of Rs.1,743,563 had been due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2022.	Action will be taken to levy courts fines and stamp duty.	Steps should be taken to collect the revenue promptly.
(ii) Action had not been taken to recover the stamp duty amounting to Rs.635,800 recovered from 10 land owners by the Eastern Province Income Tax Department by a mobile service.	That the documents have been sent but the money for this has not been received.	-Do-

3. Operational Review

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 Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
Seven tractors in use by the Sabha were not being used to earn income by renting them out.	Action will be taken to rent in the near future.	Action should be taken to earn income by renting out tractors.

3.2 Assets Management

Audit Observation	Comments of the Council	Recommendation
Although 02 vehicles owned by the council were damaged, but they were not repaired and reused or properly disposed of.	That the all repairs will be done in the near future.	Vehicles should be repaired and reused or disposed of appropriately.

3.3 Defects in Contract Administration

Audit Observation	Comments of the Council	Recommendation
The Sabha had entered into contracts for Rs.7,832,250 in the year under review for the improvement of the Multi Purpose building under the Regional Development Grant Programme. The contract work was supposed to be completed on 10 June 2022, but due to the lack of special supervision and inefficient management of the Sabha, the relevant work had to be completed after more than 06 months and due to the inflationary situation in the country, a 20 percent price increase or an additional amount of Rs.808,801 had paid to the contractor. Further, no action had been taken to use this building till the date of audit.	Due to the bad situation in the country, it had to pay more to the contractor in line with the increase in the prices of goods.	The relevant work should be completed within the specified date as per the contract.