

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Alayadivembu 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 Alayadivembu 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) Garbage removal fees, library membership fees and cultural pavilion fees amounting to Rs.1,704,993 were not shown as income in the financial statements of the year under review.	Arrangements will be made to refund the concerned persons, or transfer them to income.	Financial statements must be prepared accurately.
(b) The value of consumer goods and stationery amount of Rs.1,423,827 at the end of the year under review was not shown in the financial statements.	Action will be taken to disclose in future financial statements.	-Do-
(c) The Donation value of Rs.14,174,190 relating to 07 categories of items received during the year under review had not been shown in the financial statements.	-Do-	-Do-
(d) An amount of Rs.868,703 payable for the Regional Development Grant Program had not been shown in the financial statements.	-Do-	-Do-
(e) The temporary employee salaries, employee provident fund and employee trust fund contributions	Action will be taken to pay as liabilities in the respective month in the	-Do-

amounting to Rs.355,150 had not coming year.
been shown in the financial
statements for the month of
December of the year under review.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of income over recurrent expenditure of the Sabha for the year ended 31 December 2022 amounted to Rs.6,836,209 as compared with the excess of income over recurrent expenditure amounted to Rs.5,110,195 in the preceding year

2.2 Revenue Administration

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

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.)
i. Rates and Taxes	1,000,000	-	-	135,184	900,000	185,184	50,000	135,184
ii. Rent Income	4,670,000	2,853,961	2,898,345	665,164	2,139,346	2,968,318	2,258,770	709,547
iii. License Fees	1,165,000	629,780	629,780	16,680	531,850	548,530	531,850	16,680
iv. Other revenue	6,835,000	1,130,132	3,688,581	-	4,334,000	3,063,704	3,063,704	-
Total	<u>13,670,000</u>	<u>4,613,873</u>	<u>7,216,706</u>	<u>=817,028</u>	<u>=7,005,196</u>	<u>=6,765,736</u>	<u>=5,904,324</u>	<u>861,411</u>

2.2.2 Performance in Revenue Collection

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

Audit Observation

Comments of the Council

Recommendation

Courts Fines and Stamp Duty

Court fine fees amounting to Rs.5,700,000 and stamp duty amounting to Rs.4,000,000 were due on 31 December 2022 from the Chief Secretary of the Provincial Council and other authorities.

Action will be taken to obtain courts fines and stamp duty in the future.

Court fines and stamp duty must be collected.

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
An income generating JCB machine belonging to the Sabha remained idle for more than 05 years without repair.	Action is being taking to repair.	The concerned JCB machine should be promptly repaired and put back into use.

3.2 Assets Management

Audit Observation	Comments of the Council	Recommendation
The value of 31 assets had not been assessed and accounted for even at the end of the year under review.	That the values will be assessed and accounted for in the future.	Assets should be valued and accounted for.

3.3 Human Resource Management

Audit Observation	Comments of the Council	Recommendation
The council had not taken steps to recover the distress loan of Rs.290,070 from 05 employees which had been outstanding for a long time.	That the steps have been taken to recover the arrears due in the future.	Steps should be taken to recover the outstanding loan balances promptly due from the employees.

3.4 Vehicle Utilization

Audit Observation	Comments of the Council	Recommendation
The Sabha had not taken steps to transfer the ownership of 07 vehicles used by the Sabha.	Action will be taken to transfer the ownership in the future.	Arrangements should be made to transfer the ownership of the vehicles to the name of the Sabha.