

## **Irakkamam Pradeshiya Sabha - 2022**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Irakkamam 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 Irakkamam 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 Practical, 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 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Expenditure for tires and batteries of Rs.1,422,100 purchased for Sabha vehicles were shown as capital expenditure in the financial statements.	The correct presentation will be made in the financial statements prepared in the coming year.	Financial statements should be prepared accurately.
(b) A sum of Rs.210,000 of council membership allowances due for the month of December of the year under review had not been shown in the financial statements.	It will be presented as revenue receivable in the next year's financial statements.	-Do-

## 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.453,208 as compared with the excess of income over recurrent expenditure amounted to Rs.2,803,059 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 by the council, 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	Estimated Revenue	2022			Arrears as at 31 December	2021		
		Revenue billed	Revenue Collected	Revenue Collected		Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i. Rates and Taxes	890,000	279,735	279,735	-	575,000	106,310	106,310	-
ii. Rent	2,305,000	1,007,828	1,007,828	1,071,583	1,720,000	2,812,163	2,783,602	1,057,793
iii. Licence Fee	1,240,000	879,970	879,970	-	1,280,000	584,400	584,400	-
iv. Other Revenue	6,910,000	5,341,899	5,341,899	-	6,250,000	4,066,956	4,066,956	-
<b>Total</b>	<b>11,345,000</b>	<b>7,509,432</b>	<b>7,509,432</b>	<b>1,071,583</b>	<b>9,825,000</b>	<b>7,569,829</b>	<b>7,541,268</b>	<b>1,057,793</b>

## 2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Council	Recommendation
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### Rent

The revenue due from leases given through bids existing for more than 10 years was Rs.1,029,223 as on 31 December of the year under review.

Arrangements are being made to waive the overdue arrears.

Actions should be taken to collect the arrears of revenue as soon as possible.

## 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 Assets Management

Audit Observation	Comments of the Council	Recommendation
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The value of 13 vehicles and trailers belonging to the Sabha and used by the Sabha had not been assessed and accounted for at the end of the year under review.

Action will be taken to revalue in the coming years.

Assets should be valued and accounted for.

### **3.2 Human Resource Management**

#### **Audit Observation**

As per paragraph 2 of Public Administrative Circular No. 09/2009 dated 16 April 2006, a total of Rs.239,940 had been paid as overtime allowances to 04 officers of the Sabha without confirming their attendance through fingerprint machines.

#### **Comments of the Council**

Action will be taken to purchase new fingerprint machines and used in the office.

#### **Recommendation**

Action should be taken to pay overtime allowances after confirming the attendance by fingerprint machine as per circular provisions.

### **3.4 Vehicle Utilization**

#### **Audit Observation**

The ownership of 03 vehicles used by the Sabha had not been transferred to the name of the Sabha.

#### **Comments of the Council**

Arrangements have been made to transfer it to the name of the Sabha.

#### **Recommendation**

Arrangements should be made to transfer the ownership of the vehicles to the name of the Sabha.