

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Navinthanveli 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 Navinthanveli 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

Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Action had not been taken to capitalize the total value of Rs. 8,608,924 relating 07 constructions that had been completed in 2019 and 2021.	That action will be taken to capitalize in the next financial year.	Financial statements should be prepared accurately.
(b) The loan of Rs.1,120,000 taken from the Local Loan Development Fund in the year 2018 had not been shown in the financial statements.	-Do-	-Do-
(c) Advances of Rs.1,700,000 given for the construction of Savalakkada Public Stadium were not shown in the financial statements.	Not Answered.	-Do-
(d) Fixed deposit interest amounting to Rs.156,637 was shown under operating activities.	That the correction will be made 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.1,632,636 as compared with the excess of income over recurrent expenditure amounted to Rs.4,361,432 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 Sabha, details 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			2021			Arrears as at 31 December
		Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i. Rates and Taxes	-	-	-	-	-	-	-	-
ii. Rent	4,275,000	3,378,392	3,238,602	1,302,765	4,119,500	4,627,354	3,973,511	1,839,622
iii. Licence Fee	790,000	451,850	451,850	-	790,000	606,850	606,850	-
iv. Other Revenue	2,757,500	1,144,911	1,120,377	37,479	2,362,500	2,108,787	2,134,903	12,945
Total	7,822,500	4,975,153	4,810,829	1,340,244	7,272,000	7,342,991	6,715,264	1,852,567

2.3.2 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
(a) Rent The lease rent of Rs.2,257,223 had to be collected from the year 2007 to the end of the year under review	That legal action will be taken against those who do not pay.	Legal action should be taken to collect the revenue promptly.
(b) Lisence Fee A sum of Rs.650,000 had been estimated for 653 trade licenses in the year under review, but only Rs.379,850 had been charged for only 276 trade licenses. This was 58 percent of the estimated revenue.	Action will be taken to charge arrears with penalty fees.	Actions should be taken to issue trade licenses and collect revenue.

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
1,135 cows were slaughtered in the year under review, for business purposes in the Sabha area, but no slaughterhouse fees were levied.	Action will be taken to charge the slaughterhouse fees in the future.	Slaughterhouse fees should be charged for cattle and goats slaughtered for commercial purposes.

3.2 Assets management

Audit Observation	Comments of the Council	Recommendation
The ownership of 04 vehicles used by the Sabha had not been transferred to the name of the Sabha and the value had not been assessed and accounted for.	Action is being transferred to the name of the Sabha.	Ownership of vehicles should be transferred in the name of the Sabha.

3.3 Delays in projects, operations or capital works

Audit Observation	Comments of the Council	Recommendation
The period of the contract signed for Rs.14,298,100 under the regional development program for the construction of a multi-purpose building in Savalakkada area had ended on 01 June 2022, but the relevant work had not been completed by the date of the audit.	At present, the relevant work is ongoing.	Steps should be taken to complete the construction work within the contract periods as per the agreement.

3.4

Procurement Management

Audit Observation	Comments of the Council	Recommendation
Regarding 240 school book bags purchased from the Sabha fund for Rs.318,000 to provide to the poor school students in the Sabha area in the reviewed year, an additional amount of Rs.42,000 was paid due to purchase twice without preparing a formal procurement plan.	That we had called the prices on discount basis.	Steps should be taken to purchase goods through a formal procurement plan.

3.5 Human Resource Management

Audit Observation	Comments of the Council	Recommendation
The outstanding loan balance of Rs.1,164,365 due from 08 officers who were transferred after serving in the Sabha had not been recovered.	That the outstanding loan balance will be collected from the officials.	Arrangements should be made to promptly recover outstanding loan balances from officials.

4. Accountability and Good Governance

Environmental Issues

Audit Observation	Comments of the Council	Recommendation
There were 26 institutions that needed to obtain environmental permits in the reviewed year period, but permits had been issued only for 19 institutions. Due to this, it was observed that 07 institutions were operating without license.	That legal action will be taken against them in case of failure to renew environmental permits.	Arrangements should be made to renew or issue new environmental permits.