

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ninthavur 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 Ninthavur 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 Observations	Comments of the Council	Recommendations
(a)	The value of assets purchased during the year under review amounting to Rs.123,600 had not been capitalized.	That the correction will be made in the next year's financial statements.	Should be shown as capital expenditure.
(b)	The Rates and Tax management package amounting to Rs.400,000 received as donations during the year under review had not been shown as an asset in the financial statements.	-Do-	Financial statements should be prepared accurately.

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.10,456,949 as compared with the excess of income over recurrent expenditure amounted to Rs.12,716,011 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	10,750,000	4,379,800	4,906,091	4,033,809	10,750,000	4,577,720	5,304,130	4,560,099
ii. Rent	21,420,000	6,963,096	6,963,096	3,173,466	18,320,000	10,033,792	10,033,792	3,173,466
iii. License Fees	2,100,000	1,254,300	1,272,300	-	2,100,000	1,323,450	1,305,450	18,000
iv. Other revenue	5,025,000	1,445,976	1,445,976	2,477,322	6,025,000	2,750,030	2,750,030	2,477,322
Total	<u>39,295,000</u>	<u>14,043,172</u>	<u>14,587,463</u>	<u>9,684,597</u>	<u>37,195,000</u>	<u>18,684,992</u>	<u>19,393,402</u>	<u>10,228,887</u>

2.2.2 Performance in Revenue Collection

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

Audit Observation	Comments of the Council	Recommendation
<p>(a) Rates and Taxes</p> <p>The arrears of rates and taxes at the beginning of the year under review was Rs.4,560,099 and the recoveries for the year was Rs.223,000. Further, a sum of Rs. 4,033,809 remained as arrears from 01 to 08 years.</p>	That the arrears are being recovered at present.	Steps should be taken to collect the revenue promptly.
<p>(b) Rent</p> <p>As 20 shops were not rented since the year 2018 till the end of the year under review, the sabha had been lost an income of Rs.1,068,000 in the last 5 years.</p>	The shops will be rented out in the near future.	Action should be taken to rent out the shops.
<p>(c) Stamp Duty</p> <p>The stamp duty of Rs.5,453,967 had been receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2022</p>	That the stamp duty will be collected in the near future.	Stamp duty should be collected promptly.

3. Operational Review
3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The council had not arranged for the use of a safety deposit box to keep the cash and cheques received from the day-to-day operations of the council safe.	Action will be taken to do in the near future.	Steps should be taken to use a safety deposit box.
(b) The balance of 04 bank current accounts amounting to Rs. 71,522, which had been inactive for more than 03 years, had not been used effectively.	It has been decided to take action in the future.	Money should be used effectively.
(c) The council had been charged Rs.362,500 from the people for cutting concrete, bitumen and gravel roads to get water connection in the year under review, but the council had not renovated the roads and had not maintained the books about it.	That will be done in the future.	Appropriate action should be taken.
(d) The value of 07 types of items donated by the Assistant Commissioner of Local Government in the period of 2021, was not calculated and shown in the financial statements.	Arrangements will be made to correct the financial statements in the following year.	The value of the donated items should be shown in the financial statements.

3.2 Assets Management

Audit Observation	Comments of the Council	Recommendation
The Sabha had not repaired and re-used 07 vehicles owned by the Sabha or sold them at auction for more than 5 years.	Requests have been submitted. Actions will be taken after receiving the answers.	Vehicles should be repaired and disposed of in a manner suitable for reuse.

3.3 Procurement Management

Audit Observation	Comments of the Council	Recommendation
910 light bulbs and 07 TT wire coils had been purchased during the year under review more than once without a plan and therefore an additional amount of Rs.192,230 had been paid to the supplier from the relevant procurement.	That the errors related to this will be corrected in the future.	Steps should be taken to prepare a list of requirements and a procurement plan.

3.4 Human Resource Management

	Audit Observation	Comments of the Council	Recommendation
(a)	The Sabha had an excess of 28 employees including 10 vacancies and 13 excess employees and 25 temporary employees in the number of employees approved by the Department of Management Services. The Sabha had failed to increase the efficiency of the Sabha's revenue and solid waste disposal operations by dividing the work appropriately and employing them in the Sabha's revenue department and solid waste disposal department.	Deploying will be made in a formal manner and that the duties will be carried out in the future.	Segregation of duties should be done in a suitable manner and arrangements should be made to apply it to departments like revenue department and solid waste disposal department of the Sabha.
(b)	Actions were not taken to collect the arrears of Rs.85,911 from the concerned persons or guarantors, regarding 12 employees who had transferred and left the service.	That the steps will be taken to collect outstanding loans.	Steps should be taken to collect outstanding loans from the concerned persons or guarantors.

4. Accountability and Good Governance

4.1 Solid Waste Management

Audit Observation

A waste separation center was established at a cost of Rs.4,280,970 in the year under review, to carry out solid waste management activities efficiently. But the Sabha had not taken steps to separate and collect the garbage disposed by the 08 divisions located in the Sabha area.

Comments of the Council

At present, separation is being done.

Recommendation

Action should be taken to separate the garbage.

4.2 Environmental Issues

Audit Observation

According to the National Environment Act No. 47 of 1980 as amended by Acts No. 56 of 1988 and No. 53 of 2000 and the regulations thereunder, there were 147 industrial establishments that needed to obtain licenses, but the council had not taken any action to renew the expired licenses of 82 industrial establishments.

Comments of the Council

It will be updated in the near future.

Recommendation

Expired licenses should be renewed.