

Thirukkovil Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Thirukkovil 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 Thirukkovil 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) The total of Rs.486,150 receivable from of 03 personal telephone communication towers and 05 advertising billboards relating to the year under review and the previous year was not shown in the financial statements.	That the financial statements will be prepared accurately in the future.	Financial statements should be prepared accurately.
(b) The value of the security room which was completed at Rs.1,570,718 in the year under review was not capitalized.	-Do-	-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.3,380,923 as against the excess of income over recurrent expenditure amounted to Rs.8,392,084 in the preceding year

2.2 Financial Control

Audit Observations	Comments of the Council	Recommendations
(a) The Sabha had not made the necessary adjustments in the cash	That the corrections will be made in the next financial	Necessary adjustments should be made in the cash

book and identified the actual cash balance by the end of the year under review, regarding a cheque amounting to Rs.100,240 which was dishonoured in the year 2016.

year's accounts.

book and steps should be taken to identify the actual cash balance.

(b) The total balance of Rs.3,960,887 relating to 03 bank current accounts, which have been inactive for more than 03 years, had not been effectively invested.

That the measures have been taken to invest in the sources of income generation.

Investments should be made effectively.

2.3 Revenue Administration

2.3.1 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	6,000	-	-	-	1,000	-	-	-
ii. Rent	2,565,000	6,736,598	3,467,415	3,269,183	5,720,000	6,346,537	3,559,851	2,786,686
iii. License Fees	810,000	505,225	505,225	-	740,000	470,890	505,225	-
iv. Other revenue	3,758,000	2,895,269	2,895,269	-	3,829,000	2,803,673	2,895,269	-
Total	<u>7,139,000</u>	<u>10,137,092</u>	<u>6,867,909</u>	<u>3,269,183</u>	<u>10,290,000</u>	<u>9,621,100</u>	<u>6,960,345</u>	<u>2,786,686</u>

2.3.2 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) Rent The revenue due from the lease up to 31 December 2022 had been Rs.1,809,914. Out of this, Rs.752,388 remained to be collected from 03 to 06 years and the amount that remained outstanding for more than 20 years was Rs.510,682.	Arrears are being charged periodically.	Steps should be taken to collect the dues promptly.

(b) Telephone Communication Tower Charges

The telephone communication tower fees of Rs.105,000 to be charged since the year 2017, by the Sabha had not been collected.

That the arrears will be collected in due time.

Steps should be taken to collect the dues promptly.

(c) Stamp Duty

The stamp duty due from the Chief Secretary of the Provincial Council and other authorities on December 31, 2022 was Rs.2,596,600.

Action will be taken to collect arrears.

Steps should be taken to collect the dues promptly.

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 Idle Assets

Audit Observations	Comments of the Council	Recommendations
(a) The public market for fishermen, which was built by a non-governmental organization at a cost of Rs.5,000,000 in Vinayagapuram and handed over to the Sabha in the year 2017, remained idle for more than 03 years without use.	That the measures have been taken to use in a revenue generating manner.	Action should be taken to use it without delay.
(b) No action had been taken as at the date of audit to use the machine which was purchased with the contribution of Rs.500,000 and Rs.690,000 from the Sabha's funds given by the Local Government Commissioner for the purpose of increasing organic fertilizer production.	If the demands increase in the future, those machines will be fully used.	Steps must be taken to use the machines.
(c) Plastic cutters and tree cutting machines worth Rs.1,607,000 had been purchased for the newly constructed organic fertilizer center in Dandiadi, but the sabha had not taken action to use them.	That the arrangements are made to use them in the solid waste area.	Steps should be taken to use the machines immediately.

3.2 Assets Management

Audit Observations	Comments of the Council	Recommendations
(a) The shredder and pulverizer used at the Mandanei solid waste facility had malfunctioned and 03 years had passed, but the Sabha had not taken steps to repair it and put it back into use. Also, the two paper manufacturing machines in this center had been out of action for several years, and they had not been repaired and rented out so that they could be used again.	Action had been taken to repair.	Steps should be taken to repair and reuse promptly.
(b) Nine vehicles in the Sabha had not been repaired and re-used or disposed of appropriately even at the end of the year.	That it will be repaired and reused in the future.	Vehicles should be repaired and reused or disposed of appropriately.

3.3 Human Resource Management

Audit Observation	Comments of the Council	Recommendation
A sum of Rs.1,019,458 to be recovered from 15 officers who died, retired and left the service after serving in the council had not been recovered.	That the arrangements have been made to recover the arrears.	Steps should be taken to collect the arrears due from the officials immediately.

4. Accountability and Good Governance Environmental Issues

Audit Observation	Comments of the Council	Recommendation
Even though, there were 61 institutions that needed to obtain environmental permits in the reviewed year period, but only 23 institutions had been obtained permits.	That the environmental permits have been issued.	Arrangements should be made to issue environmental permits as per the provisions of the Act.