

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Niyagama Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of financial position as at 31 December 2023, Statement of Financial Operations, Cash Flow Statement for the year then ended and notes to the financial statements including material accounting policy information was carried out 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 the provisions of the 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 accompanying financial statements give a true and fair view of the financial position of the Niyagama Pradeshiya Sabha as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 Principles 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 Audit Scope (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 skepticism 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) In the year under review and the previous years, the values of Rs.39,939,033 and Rs.650,800 incurred for the development of buildings and equipment respectively were not capitalized.	Will be corrected in future.	Should be accounted properly
(b) The key money amounting to Rs.10,249,549 collected in the previous years was accounted as payable deposits without making any adjustments to the income.	- do -	It should be withdrawn from deposits and taken into income.
(c) Work Debtors and Creditors were understated by Rs.53,718.	- do -	Should be accounted properly.
(d) Due to the non-capitalization of library books of Rs.126,630 received in the previous year, debiting the creditor account during the correction, the creditor and library book account had understated by that amount.	- do -	- do -
(e) In the previous year, Rs.109,158 and Rs.30,700 were over debited to the staff loan account and the advance account, respectively, for correcting this issue debiting to the accumulated funds account, the said account had understated by the above value.	- do -	- do -

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| (f) | There was a difference of Rs.145,654 between the balance of the fixed assets account and the balance of the contribution from income and aid to the capital application. | Will be corrected in future. | These two accounts should be equal to each other. |
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1.6.2 Non reconciled control account or records

Audit Observation

Comment of the Sabha

Recommendation

There was a difference of Rs. 59,135,679 between the balances related to 14 accounting items shown in the financial statements and the balances shown in the related utility registers and schedules.

Will be rectified in future

Action should be taken to rectify the accounts after comparing differences.

1.7 Non-compliances

1.7.1 Non-compliance with Laws, Rules, Regulation and Management Decisions

Reference to Laws, Rules, Regulation and Management Decisions

Non – Compliance

Comment of the Sabha

Recommendation

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| (a) | Section 24 of the Pradeshiya Sabha Act No. 15 of 1987 | After the year 2018, 36 roads of 4764 kilometres constructed and developed at a cost of Rs.19,947,965 were not included in the road inventory and gazetted. | Will be corrected in the future. | Action should be taken according to the Act. |
| (b) | The Financial Regulations 104 Code of the Democratic Socialist Republic of Sri Lanka | The damages and losses related to 04 vehicles in the year 2023 were not dealt with according to the Regulations. | Will be done in the future. | Action should be taken according to the Regulations. |

1.7.2 Unauthorised Transactions

Audit Observation	Comment of the Sabha	Recommendation
The Secretary had used in the year 2023, the Sabha's vehicle to travel between home and office daily without group transport facilities and paid Rs.295,547 for fuel.	The vehicle of the Sabha should be present in the Sabha for prompt response in case of emergency	Action should be taken to minimized the cost

2. Financial Review

2.1 Financial results

According to the Financial Statements presented excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2023 amounted to Rs.7,560,476 as compared with the excess of recurrent expenditure over revenue amounting to Rs.422,422 in the preceding year.

2.2 Revenue Administration

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

Source of Revenue	2023				2022			
	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.
Rates and Taxe]	2,781,827	1,244,968	1,490,497	658,789	2,526,723	1,414,293	1,502,138	904,318
Rent	7,417,640	5,242,993	5,088,465	754,839	6,219,950	4,642,500	4,643,741	600,311
License] Fees]	410,600	315,743	332,560	-	496,400	238,767	246,017	16,817
Other] revenue]	6,403,000	6,342,408	6,342,408	-	3,404,000	7,174,259	7,174,259	-
	17,013,067	13,146,112	13,253,930	1,413,628	12,647,073	13,469,819	13,566,155	1,521,446

2.2.2 Performance in Revenue Collection

Audit Observation	Comment of the Sabha	Recommendation
(a) The total outstanding income as at 01 January of the year under review was Rs.1,521,446 and at the end it was Rs.1,413,628.	The action will be taken to recover arrears of income.	The progress of collection of arrears of revenue should be developed.
(b) In terms of sub-section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987, the Pradeshiya Sabha had not taken action to levy assessment tax from the developed village areas including Talgaswala.	The relevant activities are carried out promptly.	The action should be taken as per section of the Pradeshiya Sabha Act.
(c) The assessment tax was assessed in the year 2014, due to not conducting a new assessment, there was a loss of income that could be earned by the Sabha.	From the year 2024, assessment tax will be levied under shop assessment.	Assessment tax should be levied on the new assessed value.
(d) One shop owned by the Sabha had been idle since 2015 without paying a lease, so an amount of Rs.388,850 had been lost.	The shop has been contracted to lease.	The shop room should be leased out and increase the revenue.
(e) A fee of Rs.333,600 was not collected for 29 advertisement hoardings that were installed and displayed in the Sabha area of authority.	Proceedings to recover arrears of income.	Actions should be taken to recover the arrears.
(f) Court fines due from the Chief Secretary of the Provincial Council and other authorities were Rs.357,250 and stamp fees was Rs.2,194,757.	The Chief Secretariat will follow the instructions introduced.	Arrangements should be made to collect the arrears.

3. Operational Review

3.1 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) The ownership of 25 lands, which is 17 acres, 03 roods and 18.93 perches, used by the Sabha had not been formally acquired.	The Divisional Secretariat is in the process of transferring land.	Arrangements should be made to transfer the right to the Sabha.

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| (b) | The area of 271 perches of 03 lands enjoyed and used by the Pradeshiya Sabha, as well as 03 buildings with a value of Rs.52,400,000 and 413 square meters remained idle without being used for any effective economic activity. | The action will be taken use fruitful works in the future. | The property owned by the Sabha should be used for productive purposes. |
| (c) | 05 vehicles and machinery which are being used and the cost of which cannot be identified had not been registered in the name of the Sabha. | The action will be taken to register to the name of the Sabha and the costs will be identified in the future. | It should be registered in the name of the Sabha and arrangements should be made to find out the cost. |

3.2 Deficiencies in contract administration

Audit Observation	Comment of the Sabha	Recommendation
Rs.553,855 had been overpaid due to non-use of the prescribed price rates related to the construction of the Sabha building.	The action will be taken to get the chief engineer's advice in paying the necessary bills.	Appropriate price rates should be used.