

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Athuraliya Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial operation, statement of changes in net assets, 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 Subsection 172 (1) of the Pradesiya Sabhas Act, No.15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Athuraliya Pradeshiya Sabha as at 31 December 2023, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices for Local Authorities.

1.2 Basis for Qualified Opinion

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

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 this 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 Practices, 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 financial reporting process of the Pradeshiya Sabha.

As per Sub-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 to be prepared.

1.4 Auditor's Responsibility in Auditing 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 exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Designed and performed the appropriate audit procedures, identified and assessed the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- Obtained 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 the internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluated 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 the Pradeshiya Sabha 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 timeframes and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

Special provisions are included in the National Audit Act, No. 19 of 2018 with respect to the following requirements.

- The Financial Statements presented are consistent with that of the preceding year as required by Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- The recommendations made by me during the previous year are included in the financial statements presented as required by Section 6(1)(d)(iv) of the National Audit Act, No. 19 of 2018.

1.6 Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) The surplus had been increased by Rs. 18,602,524 as the total revenue was accounted in excess of Rs. 17,790,549 and the total expenditure was accounted short of Rs. 811,975 as at the end of the year under review.	The arrangements will be made to account correctly.	The values should be accounted correctly.
(b) The assessment tax balance receivable as at the end of the year under review had been less accounted by Rs. 126,551 and the income receivable from four headings had been accounted in excess of Rs. 598,218.	The arrangements will be made to account correctly.	The values should be accounted correctly
(c) 1249 units belonged to 65 items not in the nature of fixed assets worth Rs. 2,256,634 had been accounted under furniture and equipment.	The arrangements will be made to account correctly.	The values should be accounted correctly
(d) As the 33 asset units and 39 library books; that had been recommended to be disposed, were removed from the fixed assets, the value of property, plant	The arrangements will be made to account correctly.	The values should be accounted correctly

and equipment had been less accounted by Rs. 65,248.

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| (e) | The creditor provisions had not been made for the sundry expenditures amounting to a sum of Rs. 238,276 for which the creditor provisions had not been made in the previous year, and the payments had been made from the accumulated funds. | The arrangements will be made to account correctly. | The values should be accounted correctly |
| (f) | The debtor provisions had not been made for the incomes amounting to Rs. 2,920,506 received in the year under review although it had not been shown as the incomes receivable in the previous year, and had been credited to the accumulated fund. | The arrangements will be made to account correctly. | The values should be accounted correctly |

1.6.2 Non-reconciled Control Accounts or Reports

Audit Observation	Comment of the Sabha	Recommendation
There was a disparity of Rs.3,243,188 between the balance of an account subject of the financial statements and the balance of subsidiary documents / schedules related thereto.	The balance has been shown before adjusting the deficiency related to the year.	The disparities of the related balances should be compared and the accounts should be rectified

1.7 Non-compliance

1.7.1 Non-compliance to Laws, Rules and Regulations and Management Decisions

Reference to Laws, Rules and Regulations etc.	Non-compliance	Comment of the Sabha	Recommendation
Financial Regulation of the Democratic Socialist Republic of Sri Lanka F.R. 772(1)	The actions had not been taken to destroy or auction 6 units of damaged goods that were removed from use.	The arrangements will be made to auction these units of goods in a forthcoming auction.	Proceedings should be made as per the regulations.

2. Financial Review

2.1 Financial Results

According to the financial statements submitted, the recurrent income exceeding the recurrent expenditure of the Pradeshiya Sabha for the year ended 31 December 2023 was Rs. 16,271,215 and the corresponding recurrent expenditure exceeding the recurrent income of the previous year was Rs. 196,720.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue 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.)
(i) Rates and Taxes	2,212,500	2,097,815	1,801,569	1,968,200	2,262,500	1,392,865	1,455,502	1,671,954
(ii) Rents	3,834,000	3,975,731	5,284,650	76,167	3,854,000	5,973,359	4,998,780	1,385,086
(iii) License Fees	325,000	264,075	206,573	320,152	317,000	308,140	275,840	262,650
(iv) Other income	1,101,000	2,453,040	2,572,946	202,893	1,140,000	1,342,725	1,065,895	322,799
	7,472,500	8,790,661	9,865,738	2,567,412	7,573,500	9,017,089	7,796,017	3,642,489

2.2.2 Performance in Collecting Revenue

	Audit Observation	Comment of the Sabha	Recommendation
(a)	An overdue balance of Rs.1,903,356 related to 912 assessment units and an overdue balance of Rs.76,167 related to 4 shops were to be collected. The overdue period of 67 balances amounting to Rs.778,916 from the arrears of the assessment tax had exceeded a period of 3 years.	An amount of Rs.314,471 from the arrears of the assessment tax and an amount of Rs.58,820 from the arrears of shop rents have been collected, and the actions are being taken to recover the outstanding balances by conducting mobile services for the assessment tax.	The overdue income should be collected immediately.
(b)	07 Shops in the Thibbotuwa Shopping Complex owned by the Pradeshiya Sabha had been sub-leased by the Lessees to other	A survey will be carried out about the sub-leased shops and the further proceedings will be done	The actions should be taken as per the Circular.

parties for a monthly rental higher than the rental charged by the Pradeshiya Sabha other than the provisions stipulated in the paragraph II of the Circular No. ද.ප.පා/ප.පා.කො/2010/01 dated 27 December 2010 issued by the Local Government Commissioner of Southern Province. Also, the lump sum of Rs. 2,447,500 which was to be collected according to paragraph 04 of the above circular in relation to 05 fish stalls belonging to Thibbotuwa Public Market owned by Athuraliya Pradeshiya Sabha had not been recovered.

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| (c) | 06 shops in the Thibbotuwawa shopping complex had been closed without making any use, and a program had not been prepared to solve the problems related to these shops and to rent those out. | A survey will be carried out about these shops and the further proceedings will be done as per the agreements for the shops given to other parties | The proceedings should be done as per the agreements. |
| (d) | There were court fines of Rs. 420,000 and the stamp duties of Rs. 9,051,770 receivable from the Chief Secretary and other officers of the Provincial Council. | No comment has been given. | The overdue income should be collected immediately. |

3. Operating Review

3.1 Fulfilling the tasks assigned by the Act

The matters observed with regard to the carrying out of the duties that should have been attended to by the Pradeshiya Sabha in the regularization and control of the matters relating to public health, public utility services and public roads and roadways, and in bringing about the public wellbeing, amenities and welfare under section 3 of the Pradeshiya Sabhas Act were as given below.

Audit Observation	Comment of the Sabha	Recommendation
About ½ ton of garbage is collected daily within the Pradeshiya Sabha area and the non-biodegradable garbage had been disposed to a private land called Raseenawatta in Godapitiya. Accordingly, an environmentally friendly disposal method for non-biodegradable waste had not been followed.	Non-biodegradable materials that can be recycled are given to the Matara Municipal Council, and the non-recyclable materials are used as a landfill of a private land	A methodical waste management system should be introduced.

3.2 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
Although it is obligatory for all local government authorities to introduce online systems to make the services provided to the public easier, more efficient and to collect the income rapidly, the arrangements had not been made to create a website for the Pradeshiya Sabha to facilitate payment activities.	The website will be created in the month of May 2024 and the actions will be taken to provide online payment facilities.	The actions should be taken as per the Circular

3.3 Controversial Transactions

Audit Observation	Comment of the Sabha	Recommendation
(a) A amount of Rs. 127,000 had been paid to external parties in terms of providing the necessary transport facilities for the officers of the Pradeshiya Sabha to participate in an annual conference and it was observed that making payments from the Pradeshiya Sabha fund to private parties; while no legal provision had been made for such payments, is not a legal payment.	The payments have been subsequent to the approval of the Governor and the Chief Secretary.	The proceedings should be made as per the provisions of the Establishments Code, Financial Regulation and the Circulars.
(b) 512 G.I galvanized pipes had been received by the Athuraliya Pradeshiya Sabha in the year 2015. However, the proceedings had not been made as per the Financial Regulations regarding the shortage of 118 pipes as at 10 February 2024 and the steps had not been taken by the Pradeshiya Sabha to collect money from the responsible parties or to get those back from the parties to whom the pipes were given.	A board of survey has been appointed regarding the shortage of galvanized pipes.	The proceedings should be made as per the Financial Regulations.

3.4 Human Resource Management

Audit Observation	Comment of the Sabha	Recommendation
4 field workers, a K.K.S and a library assistant of the Pradeshiya Sabha had been entrusted with duties without assigning proper duties related to the post, and a sum of Rs. 2,330,993 had been spent on that as salaries and allowances from the Pradeshiya Sabha fund in the year under review.	The duties have been assigned based on the service requirement of the institution and only the salary entitled for the post has been paid.	The duties applicable to the post should be assigned.