

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Attanagalla Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of assets and liabilities as at 31 December 2023 and the statement of comprehensive income, statement of the changes in net assets/equity, 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 Pradeshiya Sabha 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 Attanagalla Pradeshiya Sabha as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standard for Local Authorities.

1.2 Basis for Qualified Opinion

I expressed a qualified opinion on the financial statements based 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 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 Sri Lanka Public Sector Accounting Standard for Local Authorities, 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 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 Scope of Audit (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 scepticism throughout the audit. I also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed 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.
- 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

National Audit Act, No. 19 of 2018 include specific provisions for following requirements.

- 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.
- 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

1.6.1 Non-compliance with Sri Lanka Public Sector Accounting Standard for Local Authorities.

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
(a) Although the Financial Statement should be presented as per the particulars from the Paragraph No.3.27 to 3.32 of the Standard, the additions amounting to Rs. 73,575,165 and the deductions amounting to Rs. 2,538,620 had not been done in the calculation of the cash flow gained from operation activities. Also, the additions amounting to Rs. 2,024,121 had not been done in the calculation of the cash flow gained from the investment activities, and the deductions had been done short of Rs. 44,595,096 and the additions had been done in excess of Rs. 98,396. Further, in calculating the cash flow from financial activities, a sum of Rs.17,605,093 had been added in excess and a sum of Rs.48,733 had not been deducted.	Agreed	The Cash Flow Statement should be prepared correctly as per the Standard.

1.7 Non-compliance

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

The instances of non-compliance with Laws, Rules and Regulations and Management Decisions are as given below

	Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliance	Comment of the Pradeshiya Sabha	Recommendation
(a)	Section 20 of the Rating and Valuation Ordinance 30 of 1946	The assessment tax had been collected by 02 sub-offices based on the 14 years old valuation.	The assessment extracts have been sent to the Valuation Department.	The valuation should be done and the assessment tax should be collected as per the new rates.
(b)	The Circular No. LGD/13/2016(i) dated 03 December 2020 issued by the Department of Local Government (Western Province)	The rents of 15 shops had been collected based on the valuations of the years 2009 and 2014.	The reports have been called from the Valuation Department.	The proceedings should be done as per the Circular.

2 Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs. 72,539,698 as compared with the excess of revenue over expenditure amounted to Rs. 59,614,955 in the preceding year.

2.2 Revenue Administration

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

As per the information presented by the Secretary, Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue relevant to information relating to the year under review and the preceding year are shown below.

Revenue Source	2023				2022			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total deficit as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total deficit as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	34,589,000	35,475,188	32,386,415	26,783,373	32,702,400	34,204,457	32,884,417	30,661,387
(ii) Rents	40,420,000	31,809,558	34,438,424	31,594,480	12,432,745	39,188,773	31,229,555	38,381,665
(iii) License Fees	1,654,000	1,916,870	1,916,870	-	1,583,000	1,597,976	1,597,976	-
(iv) Other income	348,515,000	371,696,325	357,353,458	88,486,511	362,839,798	318,695,105	354,025,698	74,143,644
Total	425,178,000	440,897,941	426,095,167	146,864,364	409,557,943	393,686,311	419,737,646	143,186,696

2.2.2 Performance in Collecting Revenue

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
(a) Although there were overdue assessment tax over 10 years amounting to Rs. 3,604,247, from 5 to 10 years amounting to Rs. 7,711,011, from 3 to 5 years amounting to Rs. 5,006,314, from 1 to 3 years amounting to Rs. 5,590,587 and less than 1 year amounting to Rs. 4,812,789 according to the age analysis report, the arrears had not been collected.	The programs such as conducting Mobile Services, distribution of Red Notices and Prohibitions of Properties have been implemented.	The overdue rates and taxes should be collected.
(b)(i) Although there were overdue shop rents from 5 to 10 years amounting to Rs. 705,370, from 3 to 5 years amounting to Rs. 5,842,830, from 1 to 3 years amounting to Rs. 22,539,055 and less than 1 year amounting to Rs. 2,029,844 as per the age analysis report, the arrears of the shop rents had not been collected.	The case against the collection is being heard in the court.	The overdue shop rents should be collected.
(ii) The outstanding key money balance amounting to Rs. 3,227,280 prevailing from more than 10 years related to 23 shops had not been recovered even in the year under review.	The shop rooms have been given without charging key money and the formal agreements have not been made.	The overdue key money should be collected.

3 Operation Review

3.1 Fulfilment of the tasks assigned by the Act

	Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
(a)	439 out of 1,120 public petitions are being solved.	It has been impossible to solve due to inadequate provisions, personal disputes and complaints . etc.	The public complaints should be solved.
(b)	The environmental protection licences had not been obtained for the two crematoriums owned by the Pradeshiya Sabha as per the Extra-ordinary Gazette No.2264/18 dated 27 January 2022.	The documents required to obtain the licences have been sent.	The proceedings should be done as per the Gazette.
(c)	The number of businesses and industries that did not renew the environmental licences had been 11 and that did not obtain new environmental licences had been 26 as at the end date of the year under review.	The proceedings will be done legally.	Legal proceedings should be done.

3.2 Human Resource Management

	Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
	The overdue employee loan balance of Rs. 745,149 to be recovered from 9 officers of the Pradeshiya Sabha who died and vacated the service had not been recovered.	The arrears will be settled from the death gratuity and the details of the officers who vacated the service are not available.	The over employee loan balances should be recovered.