

Thampalagamam Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Thampalagamam Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Balance Sheet as at 31 December 2023, 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 the provisions of the National Audit Act No. 19 of 2018 and the Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987. 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 thampalagamam 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 Practices.

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 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 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 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 and Regulatory Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the 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 recommendations made by me in the previous year as per the requirement of Section 06 (1) d (iv) of the Audit Act No. 19 of 2018.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Council	Recommendation
As interest payable to Local Loan and Development Fund had been shown as Rs 4,393,444 in the financial statements instead of Rs.4, 573,444.00, the expenditure for the year had been understated by Rs 180,000.	The check has now been made and the correct amount has been entered in the appropriate records.	Interest payable to the Local Credit Development Fund should be included in the financial statement.

1.6.2 Documentary evidenced not made available for Audit

Audit Observation	Comment of the Council	Recommendation
The Evidences subjected to the 03 Accounts in a cumulative amount Rs. 5,958,896 had not been submitted for audit	The Action will be taken to state in the financial statement 2024.	The action should be taken to obtain the documents.

1.7 Non- Compliances

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

Observations related to non-compliances with Laws, Rules, Regulations and Management decisions etc. are shown below.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
Eastern Province Financial Circular No. PT/03/2021 dated 16th August 2021	Action has not been taken for collect the security deposit from 08 officers who are eligible to deposit as security deposit.	Appropriate action will now be taken to collect the bond.	The Action should be taken in term of financial regulation.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of recurrent income over recurrent expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs. 6,998,328 against the excess of recurrent expenditure over recurrent income amounted to Rs. 2,317,203 in the preceding year.

2.2 Revenue Administration

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

The details 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	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	300,000	-	-	-	-	-	-	-
(ii) Rent Income	9,623,000	6,203,000	5,994,000	209,000	13,150,000	5,804,000	5,450,000	4,028,000
(iii) License Fees	1,274,000	1,273,000	1,273,000	-	1,200,000	855,000	710,000	145,000
(iv) Other revenue	715,000	-	623,000	-	1,722,000	995,000	995,000	-
Total	11,912,000	7,476,000	7,890,000	209,000	16,072,000	7,654,000	7,155,000	4,173,000

2.2.2 Revenue Collection Performance

Following are observations on the performance of all revenue collections of the council.

Audit Observations	Comments of the Council	Recommendations
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(a) The action has not been taken to collect the rent amount of Rs 121,200 due from the weekly market tenants for more than 03 years.	Proper action will be taken based on the report of the Revenue Inspector.	Proper action should be taken to recover the rent arrears.
(b) As on December 31 of the year under review, the amount due from tender lease was Rs. 6,881,628. Out of which an amount of Rs. 201,549 was outstanding for more than 05 years.	Letter of Demand has been sent to the outstanding holders in 2021. Proper legal action will be taken against others in future.	Proper action should be taken to recover the arrears.

3. Operational Review

3.1 Management Inefficiency

Audit Observations	Comments of the Council	Recommendations
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(a) The action has not been taken by the council to settle the loan capital amounts of 18,291,467 rupees received from the Local Loan and Development Fund for the construction of an office building in 2012 and the amount of interest payable amounting to 4,573,444 rupees to the fund up to the date of the audit.	Due to the fact that the income of the council is very low, the said loan will not be settled and appropriate steps will be taken to pay the said loan.	Appropriate steps should be taken to pay the loan and interest
(b) As the machine value Rs. 1,500,000 and the platform constructed at a cost of Rs. 803,520 for improving the compost production in 2021 had not completed, The processes of compost production had not been started more than 03 years and it was seen to be idle.	The machinery cannot be used due to the non-completion of the infrastructural works for the compost production.	The action should be taken to utilize the assets.

3.2 Asset Management

	Audit Observations	Comments of the Council	Recommendations
(a)	The council had not been taken action more than 03 years to the auction or to repair 06 vehicles owned to sabha.	The council will be taken action to the auction or to repair for the said 06 vehicles owned to sabha.	Action should be taken as per the circular No: 05/2020 Asset management circular.
(b)	The Action had not been taken to transfer the ownership of 06 vehicles to the sabha name till audit date.	Action had been preceded for transfer the ownership of said vehicles and the ownership will be changed in future.	The Ownership of vehicles should be transferred to sabha name.

3.3 Human resource Management

	Audit Observations	Comments of the Council	Recommendations
	For more than 10 years, action has not been taken by the council to take disciplinary action against an officer of the council for the failure to hand over the sums of money invested through 09 voucher books and posters used in the period 2013/2014.	A preliminary inquiry has been initiated against the officer who used the receipt book	Disciplinary action should be taken in due course.

4. Accountability and Good Governance

4.1 Sustainable development goal

	Audit Observations	Comments of the Council	Recommendations
	The plan for sustainable development goal had not been prepared in term of the sustainable development Act No. 19 of 1917.	In future, action will be taken to pay more attention regard this matter.	Action should be taken to prepare the plan for achieving the sustainable development goal.