

## **Town & Gravets Pradeshiya Sabha - 2023**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Trincomalee Town & Gravets 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 Trincomalee Town & Gravets 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**

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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**

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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)

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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

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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

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### 1.6.1 Accounting Deficiencies

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	<b>Audit Observations</b>	<b>Comments of the Council</b>	<b>Recommendations</b>
(a)	A sum of Rs. 877,931 of the payable expenditures in review year had not been accounted in Expenditure and current liabilities for the year.	The faults and errors fixed by you will not be occurred more in future.	Action should be taken to account the payable amount.
(b)	A sum of Rs. 1,000,000 medicine items received as donation by other department in review of year had not shown in financial statement.	The faults and errors fixed by you will not be occurred more in future.	Action should be taken to show the donation values in financial statement.
(c)	A cumulative amount of Rs. 664,909 five classify items purchased in the review year had not been added to fixed asset account.	The faults and errors fixed by you will not be occurred more in future.	Action should be taken to add value of fixed asset into the account

### 1.6.2 Documentary evidenced not made available for Audit

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	<b>Audit Observations</b>	<b>Comments of the Council</b>	<b>Recommendations</b>
	The Evidences subjected to the 04 Accounts in a cumulative amount Rs. 344,074,074 had not been submitted for audit	The Fixed Asset Register and relevant evidences will be produced in future.	The proper action should be taken to obtain the documents.

## 1.7 Non- Compliances

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

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

<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
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(a) Pradesha Sabhas Act No. 15 of 1987 Section 182	Advance amount of Rs. 2,356,250 from 1990 – 2013 had been waived off in accounts without obtaining the approval from relevant minister.	Action will be taken to adjust the mentioned matters in the 2024 final account.	Action should be taken to obtain the approval from minister.
(b) Section 571(1), (2), (3) of Financial Regulation of the Democratic Socialist Republic of Sri Lanka	The council had not been taken action in related to the 75 lapsed deposits an amount of Rs. 16,554,082 lapsed over two year.	Action will be taken to adjust in future.	The Action should be taken to transfer as revenue.

## 2. Financial Review

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### 2.1 Financial Result

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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. 66,570,633 against the excess of recurrent expenditure over recurrent income amounted to Rs. 35,031,797 in the preceding year.

### 2.2 Revenue Administration

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

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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	35,967,000	52,318,980	23,967,875	28,351,105	28,516,000	27,405,000	25,467,000	24,750,000
ii. Rent Income	8,007,200	8,550,642	7,289,032	1,261,610	7,247,000	8,367,000	5,443,000	4,365,000
iii. License Fees	8,406,080	8,181,985	8,181,985	-	6,405,000	2,171,000	2,171,000	-
iv. Other revenue	3,542,500	3,346,838	1,260,727	-	13,019,000	-	14,391,000	-
<b>Total</b>	<b>55,922,780</b>	<b>72,398,445</b>	<b>40,699,619</b>	<b>29,612,715</b>	<b>55,187,000</b>	<b>37,943,000</b>	<b>47,472,000</b>	<b>29,115,000</b>

## 2.2.2 Revenue Collection Performance

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

### Audit Observations

Action had not been taken from one to ten years to collect the arrears of rate tax amount of Rs.27,030,334 in the ended of review year.

### Comments of the Council

Conducted the mobile services and issued the K form with mentioned the arrears balance

### Recommendations

Action should be taken accelerate to recover the arrears.

## 2.2.3 Stamp Duty

### Audit Observations

The council had not been taken action to calculate and make the request for obtaining the stamp duty fee on time in according to section 81 the pradeshiya sabha financial and administrative rules of 1988.

### Comments of the Council

The following action has been taken in regard it.

### Recommendations

The action should be taken to collect stamp duty for specified period.

## 3. Operational Review

### 3.1 Management Inefficiencies

#### Audit Observations

Private persons are residing in three quarters owned to the council for more than 40 years. However, the council had not been taken any legal action against them.

#### Comments of the Council

Proper Action is being taken against unsettle renters.

#### Recommendations

Legal action should be taken for unsettle renter.

### 3.2 Asset Management

#### Audit Observations

The Action had not been taken to transfer the ownership and to evaluate the valuation of 16 vehicles registered of other departments and Ministry name.

#### Comments of the Council

no reply

#### Recommendations

Action should be taken to transfer the ownership.

### 3.3 Human Resource Management

#### Audit Observations

(a) There were lack of 28 employees and excess of 11 employees in secondary level.

#### Comments of the Council

Now, All substitute employees had been appointed through the proper approval of Ministry.

#### Recommendations

Action should be taken to adjust alterations of the human resources.

(b) 40 officers' Personal files had not been updated and received their appraisal report.

No reply

Action should be taken to receive the annual appraisal report.

## 4. Accountability and Good Governance

### 4.1 Environmental Issue

#### Audit Observations

Certificate of permit for Environment Protection had not been issued for 10 institutions in term of the National Environment Act No 47 of 1980 amended by acts No 53 of 2000 and No56 of 1988.

#### Comments of the Council

The Institution had not been any reply for Instruction notice via letter sent by us. However the reminder letter had been sent.

#### Recommendations

The Action should be taken accelerate to issue the Certificate of permit for Environment Protection.