

Verugal Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Verugal 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 Verugal 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 submitted include the recommendations made by me during the previous year except observation in clause 1.6 (a) of my report in accordance with the requirements specified in section 6(1)(d)(iv) of the National 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 -----
(a)	A sum of Rs. 1,063,003 electric instruments and furnitures received as donation by other institutions in 2022 had not accounted in financial statement.	It will be adjusted in next year financial statement.	Action should be taken to show the donation values in financial statement.
(b)	The annual income had been understated a sum of Rs. 826,351 as fixed deposit interest had been shown a sum of Rs.479,400 instead of a sum of Rs. 1,305,751 in the financial statement.	In future, total amount will be included.	fixed deposit interest should be included in financial statement

1.6.2 Documentary evidenced not made available for Audit

Audit Observation -----	Comment of the Council -----	Recommendation -----
the Evidences subjected to the 02 Accounts in a cumulative amount Rs. 72,671,920 had not been submitted for audit	The Initial step has been taken for documents related to land and buildings.	The proper 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
Section 571(1)(2) (3) of Financial Regulation of the Democratic Socialist Republic of Sri Lanka.	The council had not been taken action to transfer the revenue account or to resettle to the particular persons in related to 37 lapsed deposits over two year.	The details of it were not available in the sabha. Therefore the action will be taken in term of financial regulation after getting proper documents.	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. 645,616 against the excess of recurrent expenditure over recurrent income amounted to Rs. 631,836 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	80,000	78,000	75,239	2,760	-	-	-	-
(ii) Rent Income	1,447,000	2,002,820	1,226,716	926,220	817,000	2,053,000	1,055,000	998,000
(iii) License Fees	1,067,000	1,345,490	1,345,490	-	407,000	231,000	231,000	-

(iv) Other revenue	288,500	-	1,828,906	-	1,522,000	1,698,000	1,698,000	-
Total	<u>2,882,500</u>	<u>3,426,310</u>	<u>3,266,351</u>	<u>778,863</u>	<u>2,748,000</u>	<u>3,982,000</u>	<u>2,984,000</u>	<u>998,000</u>
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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
a sum of Rs. 65,282 receivable shop rent, water supply bill and vehicle rent from 03 to 10 years were arrears at the ended of review under year.	the action will be taken in term of financial regulation after obtain the proper documents in related to this matter.	Action for recovering arrears should be accelerated.

3. Operational Review

3.1 Asset Management

Audit Observations	Comments of the Council	Recommendations
(a) The council had not been taken action to the auction or to repair 08 vehicles owned to sabha.	Action has been taken as per the current financial situation.	Action should be taken as per the circular No: 05/2020 Asset management circular.
(b) The Ice-factory building a sum of Rs. 1,483,472 located at thuraimuga mugathuwaram division had not been used for particular purpose since 2004.	No reply	Action should be taken to use exact purpose.

3.2 Human Resource Managment

Audit Observation	Comment of the Council	Recommendation
The action had not been taken to fill up totally 14 vacancies such as 09 in primary level and 05 in secondary level. Therefore the services provided by council to public were found to be weak.	The concerned departments have been notified to fill up the said vacancies. However, still the vacancies are not filled.	Steps should be taken to fill the vacancies.

4. Accountability and Good Governance

4.1 Sustainable development goal

Audit Observation

In term of the sustainable development act No: 19 of 2017, Four goals identified as sustainable development goal. However, The plan for sustainable development goal had not been prepared.

Comment of the Council

Action will be taken by identifying and applying indicators that can be used reactively.

Recommendation

Action should be taken to prepare the plan for achieving the sustainable development goal.