

## **Akmeemana Pradeshiya Sabha - 2022**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Akmeemana Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Statement of financial position as at 31 December 2022, Statement of Financial Operations, Statement of changes in net assets, 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 Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and the provisions of the National Audit Act No 19 of 2018. 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 Akmeemana Pradeshiya Sabha as at 31 December 2022, 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 skepticism 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 Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

## 1.6 Audit observations regarding the preparation of financial statements

### 1.6.1 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) Provisions of Work creditors amounting to Rs.835,000 had been accounted during the year under review for the repair of Kurunduwatta Crematorium, of which work was completed in 2023.	Will be rectified in the future.	Should be accounted correctly.
(b) The amount of Rs.280,000 of constructing the double chamber chimney in Kurunduwatta crematorium in the year under review was not capitalized.	- do -	- do -
(c) The court fines amounting to Rs.287,500 receivable from the Galle Magistrate Court relating to the month of April of the year under review were not accounted as income of the year under review.	Will be rectified in the future.	Should be accounted correctly.
(d) Creditor Provisions had not been made for the payable contribution to the Local Government Pension Fund amounting to Rs.3,463,179 as at 31 December of the year under review.	- do -	- do -

## 1.6.2 Non reconciled control account or Records

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
There was a difference of Rs. 62,242,751 between the balances related to 06 accounting items shown in the financial statements as at 31 December of the year under review and the balances shown in the related utility schedules.	Will be rectified in the future.	Action should be taken to rectify accounts after comparing differences.

## 1.6.3 Lack of documentary evidence for Audit

<b>Subject</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
Due to non-submission of necessary detailed schedules for the confirmation of 07 accounting items, aggregating to Rs. 19,402,051 could not be examine satisfactorily.	Will be rectified in the future.	Evidence confirming the account balances should be presented.

## 1.7 Non-compliances

### Non-compliance with Laws, Rules, Regulation and Management Decisions

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below

<b>Reference to Laws, Rules, Regulation and Management Decisions</b>	<b>Non – Compliance</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) Financial Rules 560 and 561 of the Southern Province and the Treasury Circular No. 842 dated 10 December 1978	Action had not been taken to document and valuation the Land belonging to the Sabha.	The value of 07 Lands whose values were not mentioned was valuation and accounted.	Action should be taken according to the Circulars and Rules.
(b) Part iv(a) of the Extraordinary Gazette of the Democratic Socialist Republic of Sri Lanka dated the 22 April 2013	An amount of Rs. 324,000 was paid to 14 members who had not submitted the information during the payment of fuel allowance for members.	The remaining 08 members who have not submitted the information related to the payment of the fuel allowance have also been informed to provide the information.	Action should be taken according to the Gazette.

## 2. Financial Review

### 2.1 Financial results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2022 amounted to Rs. 12,162,393 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 46,696,462 in the preceding year.

### 2.2 Revenue Administration

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

According to the information presented by the Sabha, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are as follows.

Source of Revenue	2022				2021			
	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
Rates and Taxes	5,080,000	4,630,180	3,118,747	15,357,384	4,660,349	7,551,679	5,904,167	13,845,951
Rent	43,595,000	2,339,200	2,177,217	701,478	2,499,200	2,147,180	2,302,650	539,495
License Fees	50,385,060	6,067,343	6,095,643	54,500	2,801,000	3,436,710	3,354,310	82,800
Other Income	53,060,600	10,140,566	10,016,566	670,840	9,742,000	9,367,736	9,350,909	546,840
	<u>152,120,660</u>	<u>23,177,289</u>	<u>21,408,173</u>	<u>16,784,202</u>	<u>19,702,549</u>	<u>22,503,305</u>	<u>20,912,036</u>	<u>15,015,086</u>

#### 2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Sabha are given below.

Audit Observation	Comment of the Sabha	Recommendation
(a) The arrears of assessment and tax income amounted to Rs. 13,845,951 as at 01 January of the year under review, and the arrears of assessment and tax balance was Rs.15,357,384 as at 31 December of the year under review.	Action will be taken to collect the arrears of income.	Arrears of income should be collected as soon as possible.

(b) There were 155 tax holders between Rs.10,000 - 50,000 and an outstanding assessment tax balance of Rs.2,418,604 was due from them as at 31 December 2022.	Action will be taken to collect arrears of income.	Arrears of income should be collected as soon as possible.
(c) The arrears of rental income as at the opening date of the year under review was Rs.539,495 and it was Rs.701,478 as at 31 December of the year under review.	Agreed with observations.	- do -
(d) An amount of stamp fees amounting to Rs. 79,305,845 was receivable from the Chief Secretary of the Provincial Council as at 31 December of the year under review.	Will be Collected in the future.	Action should be taken to collect arrears of Stamp fees.

### 3. Operational Review

#### 3.1 Management Inefficiencies

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) Although the land obtained by the Sabha from an auction was transferred by the auctioneer to another party as the Sabha did not formalize the acquisition of the land in 1996, yet action had not been taken to identify the responsible party and recover the damages	The Legal actions are not over.	The communal land belong to the Sabha should be acquired by the Sabha.
(b) The compensation amounting to Rs.850,000 paid to the owner for the Hettiagambedda paddy field which was not formally acquire by the Sabha in 1997 was not collected from the responsible parties.	Action will be taken according to the Committee recommendations	The Compensation should be recovered from responsible parties.

#### 3.2 Idle or under-utilized Property, plant and equipment

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
The compactor vehicle valued at Rs. 6,221,374 given to the Sabha for waste management in 2019, was parked in the Sabha premises without being used for a period of 04 years.	It is expected to be utilized in the future.	The vehicles should be utilized after starting a waste management program.

### 3.3 Assets Management

#### **Audit Observation**

Action had not been taken to acquire the ownership of 04 vehicles amounting to Rs. 1,950,000 was used by the Sabha.

#### **Comment of the Sabha**

Action will be taken to acquire in the future.

#### **Recommendation**

Action should be taken to acquire the assets.

### 3.4 Human Recourse Management

#### **Audit Observation**

Action had not been taken to recover staff loans amounting to Rs. 383,391 from 03 officers who were transferred after serving in the Sabha, vacated their post, retired and diseased.

#### **Comment of the Sabha**

Action will be taken to recover balances in the future.

#### **Recommendation**

Action should be taken to recover arrears of Loans balances.