

Niyagama Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Niyagama 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, 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 Niyagama 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 Principles.

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 Principles 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

Audit Observation	Comment of the Sabha	Recommendation
(a) The provision was made under sundry debtors and sundry creditors for an estimated sum of Rs.51,672,443 for the construction of the unfinished head office building during the year under review.	Will be corrected in future.	Should be accounted properly
(b) During the year under review, the agreement value of 02 construction work, which had not been completed, was Rs. 11,257,786, was accounted under land, buildings and various creditors.	- do -	- do -
(c) The aggregated value of Rs. 606,134 was not capitalized in relation to 02 constructions carried out on lands owned by the Sabha.	Will be corrected in future.	Should be accounted properly
(d) The library books value of Rs.127,230 purchased during the year under review were debited to creditors without being accounted as expenditure during the year.	- do -	- do -
(e) The receivables of Rs. 667,313 relating to a completed construction work during the year under review, had not been accounted as Capital Assistance Receivables.	- do -	- do -
(f) Fixed assets valued at Rs.7,800,153 had not been capitalized during the year under review.	- do -	- do -

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| (g) | There was a difference of Rs.11,214,633 between the balance of the fixed assets account and the balance of the income and Capital Contribution by Revenue account which should be equal each other, as at 31 December of the year under review. | - do - | These two accounts should be equal. |
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1.6.2 Non reconciled control account or records

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs. 57,857,172 between the balances related to 25 accounting items shown in the financial statements as at 31 December of the year under review and the balances shown in the related utility registers and schedules.	Will be corrected in future.	Action should be taken to rectify the accounts after comparing differences.

1.6.3 Lack of Documentary evidence for Audit

Subject	Comment of the Sabha	Recommendation
The necessary detailed schedules were not submitted for the confirmation of 02 accounting items aggregating to Rs.15,999,539.	Will be corrected in future.	Evidence should be submitted to confirm the account balances.

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

Reference to Laws, Rules, Regulation and Management Decisions	Non – Compliance	Comment of the Sabha	Recommendation
(a) The Section 23 and 24 of the Pradeshiya Sabha Act No. 15 of 1987	A road inventory containing details of Sabha roads 309.75 km owned by the Sabha had not been prepared.	The road inventory will be corrected in future.	Action should be taken according to the Act.

- (b) The Finance Regulations 570-572 of the Democratic Socialist Republic of Sri Lanka 176 deposit balances amounting to Rs. 910,158, which have been deposited more than 02 years, had not been disposal. The action will be taken to get into income in the future. The action should be taken according to the Finance Regulation.

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2022 amounted to Rs. 423,721 as compared with the excess of recurrent expenditure over revenue amounting to Rs. 2,359,949 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 given below.

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 Tax	2,526,723	1,414,293	1,502,138	904,318	1,404,393	2,202,922	1,977,080	992,163
Rent	6,219,950	4,642,500	4,643,741	600,311	5,998,660	4,446,443	4,314,849	601,552
License Fees	496,400	238,767	246,017	16,817	440,400	390,504	377,254	24,067
Other revenue	3,404,000	9,581,179	9,581,179	-	2,780,000	2,931,279	2,931,279	-
	<u>12,647,073</u>	<u>15,876,739</u>	<u>15,973,075</u>	<u>1,521,446</u>	<u>10,623,453</u>	<u>9,971,148</u>	<u>9,600,462</u>	<u>1,617,782</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 total outstanding balance as at the beginning of the year under review was Rs.1,617,782 and it was Rs.1,521,446 at the end of the year	The action will be taken to recover by Mobile services.	The progress of arrears income collection needs to be developed.

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| (b) | The shop room No. 19 on the ground floor of Pitigala weekly fair Multipurpose Complex was not tendered and leased since 2017, so the Sabha had lost an income of Rs. 256,060 that could have been earned. | A letter will be sent to the provincial Valuation department to assess the shops. | The action should be made to lease the shops owned by the Sabha. |
| (c) | The court fines amounting to Rs.976,250 and stamp fees amounting to Rs.7,661,346 should have been received from the Chief Secretary of the Provincial Council as at 31 December of the year under review. | The action will be taken to recover the outstanding balance in the future. | The action should be taken to collect the arrears of income |

3. Operational Review

3.1 Idle Assets

Audit Observation	Comment of the Sabha	Recommendation
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The market auditorium behind Pitigala bus stand was idle since 2018.	This situation will be corrected in the future.	The buildings owned by the Sabha should be used for effective purposes.
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3.2 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
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The action had not been taken to acquire the ownership of 2 vehicles belong to the Sabha.	The action will be taken to acquire in the future	The ownership of these vehicles should be transferred to the Sabha.
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3.3 Human Resources Management

Audit Observation	Comment of the Sabha	Recommendation
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A staff loan amounting to Rs.175,053 due as at 31 December 2022 from four employees of the Sabha had not been recovered.	The action will be taken to collect.	The action should be taken to recover outstanding staff loans
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