

Nagoda Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Nagoda 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 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 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 Nagoda 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) Fixed assets valued at Rs.462,240 received as donations to the Sabha during the year under review and fixed assets valued at Rs.90,350 purchased had not been accounted.	Will be corrected in future.	Should be accounted properly.
(b) Rs.199,200 was incurred for 24 name boards prepared for the roads of the Sabha, was capitalized under Plant Machinery and Equipment.	- do -	- do -
(c) Rs.12,121,842 had been spent for the construction of the crematorium of as at 31 December 2022, however it had	Will be corrected in future.	Should be accounted properly.

not been capitalized under land and buildings.

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| (d) | The creditor provision had been under provided by Rs.88,884 for the pension contributions as at the end of the year under review. | - do - | - do - |
| (e) | The value of assets disposed and auctioned during the year under review was Rs.88,970 and 37 items which value cannot be recognized have not been removed from fixed assets in the year 2022. | - do - | - do - |
| (f) | The payable construction work creditor had under-stated by Rs.70,384 as at the last date of the year under review. | - do - | - do - |
| (g) | The tax interest and shop rent written off during the year under review was Rs.3,045,728 however the written off value account was Rs.1,972,093, as such the income receivable was overstated by Rs.1,073,635 in the financial statements. | - do - | - do - |

1.6.2 Non reconciled control account

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs. 2,104,389 between the balances related to 05 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 by in future.	Should be reconciled the differences and rectify the accounts.

1.6.3 Lack of Documentary evidence for Audit

Subject	Comment of the Sabha	Recommendation
Due to non-submission of the necessary detailed schedules for the confirmation of 07 accounting items aggregating to Rs. 135,482,676 could not be examined satisfactorily	Schedules will be prepared and submitted in the 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
The Section 23 and 24 of the Pradeshiya Sabha Act No. 15 of 1987	A road inventory register was not prepared.	The action will be done in the future.	Should be done according to the Act.

2. Financial Review

2.1 Financial Result

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.3,220,655 and as against with the excess of revenue over recurrent expenditure amounted to Rs.2,944,200 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	Estimated Revenue (Rs)	Revenue billed (Rs)	2022		2021		Arrears as at 31 December (Rs)	Arrears as at 31 December (Rs)
			Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)		
Acreage]	865,000	1,063,469	1,186,032	399,641	801,000	986,126	921,636	522,204
Taxes]								
Rent	4,476,000	1,813,560	6,633,804	617,641	4,325,000	5,810,673	3,122,615	5,437,885
License]	551,000	965,740	1,696,452	-	691,500	1,405,015	1,320,931	730,712
Fees]								
Other]	1,710,000	780,242	1,191,152	14,801,129	1,066,500	1,070,037	983,141	15,212,039
Income]								
	7,602,000	4,623,011	10,707,440	15,818,411	6,884,000	9,271,851	6,348,323	21,902,840

2.2.2 Performance in Revenue Collection

Following observations are made regarding the Performance of the Collection of revenue of the Sabha.

Audit Observation

Total outstanding income as at 01 January of the year under review was Rs.21,902,840 and at the end of the year under review it was Rs.15,818,411.

Comment of the Sabha

The legal action has been taken to recover the outstanding balance and that the remaining balances will be recovered.

Recommendation

Arrears should be recovered as soon as possible.

3. Operational Review

3.1 Un-economic Transactions.

Audit Observation

Although Rs.427,830 had been paid to clear and develop the land of 05 acres, but 02 acres of it had been cultivated and no cultivation had been done on the remaining 03 acres.

Comment of the Sabha

In uncultivated areas, the nut forest has re-emerged to some extent.

Recommendation

The land should be used for productive economic activities.

3.2 Management Inefficiencies

Audit Observation

The council had not conducted an annual survey of the advertising boards displayed in its jurisdiction and collected the relevant fees.

Comment of the Sabha

The fees will be recovered.

Recommendation

The applicable fees should be charged as per schedule.

3.3 Delays in projects, activities or capital works

Audit Observation

The Sabha had started two projects value Rs.15,443,193 which had been allocated by the Provincial Councils and the Ministry of Local Government, and had abandoned the work without completing.

Comment of the Sabha

The projects had stopped due to non-allocation of funds from the Ministry for the remaining works..

Recommendation

Projects should be completed as soon as possible.

3.4 Contracts Administration

Audit Observation

Although Rs.12,121,841 had been paid for the construction of Walakumbura Crematorium, the progress was less than 25%. Due to the non-completion of the project, the half-completed building was exposed to the environment and there was a risk of decay, while the parts that had been constructed remained unsafe.

Comment of the Sabha

As the construction of the roof is essential to ensure the safety of the building, the work will be done as soon as the funds are allocated.

Recommendation

Projects should be completed as soon as possible.