

Anamaduwa pradeshiya sabha – 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Anamaduwa pradeshiya sabha including the financial statements for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022, Comprehensive Income Statement, Cash Flow Statement 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 and with the provisions of the National Audit Act No. 19 of 2018 read in conjunction with the sub section 172(1) of 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 financial statements give a true and fair view of the financial position of the Anamaduwa pradeshiya sabha as at 31 December 2022, and of its financial performance for the year then ended in accordance with generally accepted accounting practices.

1.2. Basis for Qualified Opinion

I expressed qualified opinion regarding financial statement 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 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 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 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

National Audit Act, No. 19 of 2018 include specific provisions for 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 the recommendations made by me in the previous year of this report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit observation on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
In the year under review the assessed value of the vehicle was Rs.6,500,000 given to the council by the North West Engineering Department and the value of the vehicle received from the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Authority was Rs.4,000,000 had not been accounted.	That had not been accounted under fixed asset values in the year 2022.	Assets should be taken over and corrected through journal entries.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
As on 31 st December of the year under review could not be satisfactory verified 03 account balances worth Rs.124,518,313 due to non-submission of fixed asset registers and schedules.	That schedules are preparing currently	Written evidence that can confirm the ownership and value of the assets shoul submitted to the audit.

1.7 Non- Compliances

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

Non-compliances with Laws, Rules, Regulations and Management decisions as follows.

Reference to Non-compliance Laws, Rules Regulations etc.	Comments of the Council	Recommendation
218 of the Pradeshiya Sabha (Finance and administration) rules 1988	All lands and buildings were not inspected by a board of inspectors every year.	That a report will be prepared and submitted.
		Rules of pradeshiya sabha should be followed.

2. Financial Review

2.1 Financial Result

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.2,208,534 as compared with the excess of revenue over recurrent expenditure amounted to Rs.2,930,529 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 Chairman the Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Revenue sours	2022				2021			
	Estimated revenue	Billed revenue	Collected revenue	Total arrears as at 31 st December	Estimated revenue	Billed revenue	Collected revenue	Total arrears as at 31 st December
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
	000'	000'	000'	000'	000'	000'	000'	000'
Rates income	5,682	6,207	3,027	14,481	5,687	5,593	1,950	12,918
Rent income	18,595	17,693	16,605	1,751	18,223	11,547	11,256	868
License Fees	605	534	534	-	605	353	353	-
Other Revenue	<u>10,211</u>	<u>22,063</u>	<u>22,063</u>	-	<u>10,210</u>	<u>16,488</u>	<u>16,488</u>	-
	<u>35,093</u>	<u>46,497</u>	<u>42,229</u>	<u>16,232</u>	<u>34,725</u>	<u>33,981</u>	<u>30,047</u>	<u>13,786</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the council	Recommendation
(a) As at 31 st of December 2022, the outstanding balance of assessment tax is Rs.13,672,004 and Rs.808,832 in relation to 2603 private properties and 105 public sector properties, acreage tax is Rs.422,652 and stall rent and rent is Rs.450,800 and Rs.1,300,900 had not been collected.	Letters have been sent for public sector properties and mobile programs are being implemented for private properties and legal action has been taken to collect arrears.	The outstanding revenue should be collected immediately.
(b) Although the sabha should revise the assessment tax once in 05 years, the assessment tax was being collected on the assessment valuation made in the year 2013 within the sabha area.	That the necessary arrangements are being made to carry out a re-value the assessment.	Revenue should be recovered as per updated valuation.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) According to the stock ledgers it was observed that there were 09 stock items with a value of Rs.539,898 which have not been released for a long time.	That the unissued stock items will be checked and necessary actions will be taken to release the stock as per requirements.	Purchasing should be done according to the requirements.
(b) The council had lost an annual income of Rs.1,482,600 at the year 2022 according to the minimum bid value of 20 shops in the Anamaduwa Public marketing complex which had been tendered 7 times and unable to leased and those shops remained vacant. Also these shops had not been tendered in the year 2022.	That the stalls will be provided on the reduced bid amount or monthly rent basis.	The arrangements should be made to get income after tendered the relevant property.

3.2 Assets Management

Audit Observation	Comments of the Council	Recommendation
Legal ownership of 16 properties owned by the sabha had not been transferred to the sabha.	That acquisition of asset is in progress.	Immediate action should be taken to acquired the legal ownership of the respective properties.

3.3 Human Resource Management

Audit Observation	Comments of the Council	Recommendation
There was a vacant of 29 employees and a surplus of 44 employees.	That the recruitment of employees has been temporarily suspended.	The council should correctly identify the number of employees required and should be approved that number of employees.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Council	Recommendation
An adequate internal audit of the council was not conducted during the year under review and the internal audit focused only on the checking of vouchers, leave and industrial sector files.	That the internal audit will be carried out according to the section 40 of the National Audit Act No. 19 of 2018 and F R 133 (1).	Internal audit should be done covering the all areas.

4.2 Sustainable Development Goals

Audit Observation	Comments of the Council	Recommendation
11 identified activities for achieving sustainable development goals were not fully implemented and 19 activities did not reach progress ranging from 03 percent to 90 percent.	That will be reached the expected progress by identifying the shortages and weaknesses in the year 2023.	Action should be taken to achieve sustainable development goals.