

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Nawagaththegama 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 Finance Operation, Statement of Net Assets Changes, 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 Nawagaththegama 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
(a) 03 items worth Rs.61,676 were less in the closing stock and one item worth Rs.32,600 was more in the closing stock.	That will be made corrected.	Corrections should be made through journal entries.
(b) The receivable fixed deposit interest of Rs.317,500 had not been accounted.	That the receivable interest will be accounted.	-Do-
(c) The value of Rs.1,252,175, which was the cost value related to the quantity of 50087 interlock blocks sold or given for free in the year 2022, had been debited to the accumulated fund through 75 journal entries.	That the decrease in the stock of interlock blocks in 2022 is adjusted by the Accumulated Fund.	-Do-

1.7 Non- Compliances

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
Financial Regulations of the Democratic Socialist Republic of Sri Lanka F R 756 and 757	The reports had not been submitted to the Auditor General regarding the survey conducted for the vehicles.	That the survey activities will be done properly in the future. Financial regulations should be followed.

F R 1647(b) A complete survey of the equipment at vehicles was not carried out of the company's when the responsibility was change between the transport officers and the drivers. -Do- -Do-

Section 3.3 of Public Administration Circular No. 30/2016 A note had not been maintained regarding the vehicles owned by the council as per the format mentioned in the annexure of the circular. The relevant documents will be maintained in the future regarding the vehicles owned by the council. The circular 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.1,267,997 as compared with the excess of revenue over recurrent expenditure amounted to Rs.1,927,612 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 sources	2022				2021			
	Estimated revenue (Rs)	Billed revenue (Rs)	Collected revenue (Rs)	Total arrears as at 31 st December (Rs)	Estimated revenue (Rs)	Billed revenue (Rs)	Collected revenue (Rs)	Total arrears as at 31 st December (Rs)
	000'	000'	000'	000'	000'	000'	000'	000'
Rates income	1,284	1,255	1,129	164	1,269	1,266	648	617
Rent income	6,192	2,845	2,813	73	5,837	4,439	3,657	791
License Fees	194	159	159	-	195	142	142	-
Other Revenue	<u>876</u>	<u>686</u>	<u>666</u>	<u>31</u>	<u>4,758</u>	<u>4,765</u>	<u>2,625</u>	<u>3,484</u>
Total	<u>8,546</u>	<u>4,945</u>	<u>4,767</u>	<u>268</u>	<u>12,059</u>	<u>10,612</u>	<u>7,072</u>	<u>4,892</u>

2.2.2 Performance in Revenue Collection

Audit Observation

Comments of the council

Recommendation

Assessment Tax

The outstanding assessment tax balance of Rs.157,311 and Rs.6,411 respectively regarding 116 private properties and one public sector property had not been recovered.

Action have been taken to implement a program of prohibition of properties. That letters have been sent to the government institutes that do not pay assessment tax.

The outstanding revenue should be collected immediately.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
According to the lease agreement of the stall premises if the monthly rent is not paid on or before the 10 th of the month it was stated that a surcharge of 10 percent should be paid. It was observed that since the percentage of overcharge does not vary according to the period of delay the lessees could have considerably delayed the payment of rent.	In addition to charging a surcharge of 10% in respect of defaulters of the monthly rent according to the stall lease agreement and the 7 th and 8 th condition of the agreement will be followed.	Additional charges should be charged based on the time of delay.

3.2 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Council	Recommendation
2 assets with a total value of Rs.95,000 have remained idle without being used for many years.	After confirming the owner of the motorcycle and canceling the registration of the water bowser it will be sold as scrap material.	Action should be taken to take over the motorcycle and the water bowser should be disposed of appropriately.

3.3 Assets Management

Audit Observation	Comments of the Council	Recommendation
(a) 38 types of furniture fixtures and equipment assets valued at Rs.2,027,120 were not recorded in the register.	No comments.	Un-recorded assets should be documented immediately.
(b) Legal ownership of 27 properties owned by the council had not been transferred to the council.	Land acquisition activities is being implemented.	The handover activities of the property should be completed immediately.
(c) Although a cab was given by the Chief Secretariat in 1992 used by the pradeshiya sabha and its ownership had not been transferred to the council by the date of audit on 11 th March 2022.	No comments.	-Do-

3.4 Human Resource Management

Audit Observation	Comments of the Council	Recommendation
There were 04 vacancies related to 04 primary and secondary posts as on the last date of the year under review	The Commissioner of Local Government has informed in writing that primary recruitment has been temporarily stopped.	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
According to Section 40 of the National Audit Act No. 19 of 2018 and F.R. 133(1), internal audit is support to process the improvement of the operational process of the institution and its performance, but the internal audit of the council focused only about on attendance, leave, revenue collection, monthly running charts and bank account checking.	The internal audit activities will be carried out to cover all sectors.	The internal audit should be conducted to cover the all areas.

4.2 Budget Control

Audit Observation	Comments of the Council	Recommendation
Due to non-preparation of realistic and accurate estimates, there were savings in the range of 50 to 99 percent from the allocated amount of Rs.1,952,756 for 29 expenditure subjects in the year under reviewed.	Only essential expenses were incurred due to economic and financial crisis and insufficient council funds.	Action should be taken to complete the budgeted works by utilizing the provisions made.

4.3 Sustainable Development Goals

Audit Observation	Comments of the Council	Recommendation
01 identified activities for achieving the sustainable development objectives had not been fully implemented and the progress of not achieving of 06 activities ranged from 07 percent to 60 percent.	The welfare programs were not carried out as the announced to be suspended due to the economic crisis.	Objectives and goals should be properly identified and implemented.