

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Agalawatta Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Statement of Assets and Liabilities as at 31 December 2022, Comprehensive Income Statement, Statement of changes in net equity, 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.

The accompanying financial statements give a true and fair view of the financial position of the Agalawatta Pradeshiya Sabha as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with the Sri Lanka Public Sector Accounting Standard for Local Authorities.

1.2 Basis for Opinion

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 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
Section 158 (a) of the Pradeshiya Sabha Act No. 15 of 1987	As the last step to recover arrears of assessment, the property was not banned.	The property banned process is planned to be done by the end of the second quarter of 2023.	Action should be taken according to the Pradeshiya Sabha Act.

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.23,720,050 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 33,267,541 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)
(i) Rates and Taxes	4,377,989	4,448,413	3,699,567	1,586,267	3,528,989	3,644,535	2,766,519	882,693
(ii) Rent	5,995,500	5,872,772	5,680,964	191,808	5,433,000	5,534,741	4,744,176	790,564
(iii) License Fees	420,000	378,792	378,792	-	420,000	462,914	462,914	4,000
	----- 10,793,489 =====	----- 10,699,977 =====	----- 9,759,323 =====	----- 1,778,075 =====	----- 9,381,989 =====	----- 9,642,190 =====	----- 7,973,609 =====	----- 1,677,257 =====

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
Court Fines and Stamp Fees		
Court fines amounting to Rs.3,207,500 and stamp fees amounting to Rs.19,495,830 were due on 31 December 2022 from the Chief Secretary of the Provincial Council and other authorities.	Stamp fees due on 31.12.2021 has been received. The court fines and stamp duty will be collected promptly.	Court fines and stamp duty should be collected as soon as possible.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
The battery of the tipper vehicle parked in the compost yard was missing on 08 March 2022. Although it should have been reported to the police as per F.R.103(1)(b), the Sabha had not done so.	The machine operator has been instructed to report to the police. At present, the action is being taken to collect the relevant amount from the responsible parties.	The management should report to the police.

3.2 Idle or under-utilized Property, plant and equipment

Audit Observation	Comment of the Sabha	Recommendation
(a) The Sabha owned tipper and backhoe loader remained idle since 2018 and 2020 respectively.	The tipper is currently being used for Sabha work. Because the tipper cannot be driven on small roads, as the advice of the local government commissioner, it will be transferred to another Sabha and the backhoe loader will be repaired.	Assets should be utilized efficiently.
(b) 135 units of electrical devices valued at Rs. 35,100 purchased from the year 2013 to the year 2019, and the total of Rs. 74,100 bought in the year 2019, 06 LED flashlights of 600 watt, remained unused in the stores since the date of purchase.	It was not possible to find spare parts for the devices available in the stores with the increasing of use of LED Cobra Street Lamp in the country, the devices will be used in the future.	Inventory stock should be properly managed.

3.3 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) According to Section 10 of the Public Cemeteries and Private Cemeteries Ordinance No. 57 of 1946, security fences should be built for the protection of cemeteries, however none of the cemeteries owned by the Sabha had not build fenced boundaries.	Although the Sabha maintains the cemeteries, the Sabha does not own the ownership. Since it costs a lot to prepare the boundaries of the land, it will be dealt with accordingly after getting the owner ship.	For the security of cemeteries, fences should be arranged.
(b) The ownership of 25 cemeteries under the administration of Agalawatta Pradeshiya Sabha was not transferred to the Sabha.	These 25 lands belong to the Divisional Secretary and the Land Reclamation Commission. The action will be taken to acquire by the Pradeshiya Sabha.	The transfer of ownership of cemeteries to the Pradeshiya Sabha should be expedited.
(c) By the letter No. CSO/ENG/2/2/17 dated 08 February 2018 of the Deputy Chief Secretary of the Western Province, the 4,929 square meter Disaster Management Centre building which was built under the assistance of the Korean government and handed over to the Sabha was demolished and build a new building on 11 February 2020, it was approved by the Sabha Meeting on the notification that it should be done, however the building had not been demolished by the end of the year under review.	The University of Moratuwa Engineering Faculty had been reported in 2018 that this building is discard. The action is being taken to remove this, and get assessment reports.	The discard building should be removed immediately.