

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Panduwasnuwara 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 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.

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 Panduwasnuwara 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 Practices for Local Authorities

1.2 Basis for Qualified Opinion

I express qualified opinion based 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 Sri Lanka Public Sector Accounting Standards for Local Authorities, 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 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 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

National Audit Act, No. 19 of 2018 includes 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 the recommendations made by me in the previous year as per the requirement of Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018 .

1.6 Audit Observations on the Preparation of Financial Statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Retention money of 07 projects paid in the year 2016 amounted to Rs. 816,611 had not been removed from the Industrial deposits account even by 31 December of the year under review.	Actions will be taken to be corrected by journal entries.	It should be accurately accounted for.
(b)	Nine types of fixed asset items valued at Rs.289,075 and construction values related to 08 industries valued to Rs.7,680,918 had not been accounted for under fixed assets.	-do-	-do-

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| (c) | As the assessed asset values in the year 2020 had not been adjusted to the accounts, the motor vehicle and cart account by Rs.19,191,393 and the value of the road roller by Rs.1,775,000 had been overstated in the financial statements. | -do- | -do- |
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1.6.2 Unreconciled Control Account

Audit Observation	Comments of the Sabha	Recommendation
There was a difference of Rs. 79,022 between the Register of Deposit and the financial statements due to non-availability of balance as per the accounts though the balance was Rs.79,022 as per the deposit register.	Actions will be taken to check the registers and to correct.	Actions should be taken to accurately accounted for.

1.7 Non –compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions are shown below.

Reference to Laws, Rules, Regulations Management Decisions etc.	Non-compliance	Comments of the Sabha	Recommendation
Local Government Commissioner's Circular No. 1988/22 dated 17 May 1988	Although the rates has to be assessed once in 05 years, it had not been assessed after the year 2011.	Necessary arrangements will be made to carry out the assessment expeditiously.	Actions should be taken as per the aforementioned Circular.

2. Financial Review

2.1 Financial Results

As per the financial statements presented, the income exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2022 was Rs. 45,284,101 and the income exceeding the recurrent expenditure of the preceding year was Rs. 24,177,680 .

2.2 Revenue Administration

2.2.1 Estimated Revenues, Billed Revenues, Collected Revenues and Arrears of Revenues

The estimated income, billed income, collected income and arrears of revenue presented for the year under review and the previous year are as follows.

Source of Revenue	Year 2022				Year 2021			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
1. Rates and Taxes	2,235	1,737	2,397	-	2,245	1,734	1,587	61
2. Rents	16,555	100,794	2,157	-	18,611	20,627	20,358	269
3. License Fees	3,450	2,157	2,157	-	3,255	3,058	3,058	-
4. Other Income	5,800	4,969	5,489	167	5,300	5,216	5,782	704
	28,040	109,657	12,200	167	29,411	30,635	30,785	1,034

2.2.2 Performance on Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
The court fines and stamp duties that should have been received from the Chief Secretary of the Provincial Council and other authorities as at 31 were Rs.12,402,536 and Rs.114,985,626 respectively.	Actions will be taken to recover the balances.	Actions should be taken to bring Court fines and stamp duties promptly.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
Timely and random water sampling was not done adequately in respect of 215 water connections that are being maintained.	That 148 water connections have been supplied to Bandarakoswatte Sub city and 67 water connections have been supplied to Raigamwatte Janapadaya further comprised of 215 water connections by Panduwasnuwara Pradeshiya Sabha and they are still being maintained.	The Sabha should regulate or supervise water projects.

3.2 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
Actions had not been taken to take over 131 burial grounds and the playground maintained by the Sabha.	A letter has been written to the Dicvisional Secretary of Panduvasnuwara West and East to take over the land of 131 burial grounds to the Sabha.	Actions should be taken to take over .

3.3 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
Although arrangements should be made to settle the employee loan balance receivable from the employees when they leave service, retire or are suspended, there was a balance of Rs.156,621 that was not so recovered.	Necessary arrangements are being made to collect the information regarding outstanding loans from the subject officers who have issued the loans.	Actions should be taken to recover outstanding loan balances.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
Variability between budgeted income and actual income in 04 revenue items ranged from 39 per cent to 191 per cent and the variability between budgeted expenditure and actual expenditure in 09 expenditure items had ranged from 51 per cent to 86 per cent and, the entire allocation in relation to 4 expenditure objects had remained unutilized.	Actions will be taken to collect income and control the expenditure while minimizing variance in the next year.	A Budget with a forecast of income and expenses should be prepared at the beginning of the year.

4.2 Action Plan

Audit Observation	Comments of the Sabha	Recommendation
Out of the 122 activities planned in the Action Plan of 2022, thirty seven have not achieved any progress and physical progress and financial progress had remained in less from 06 to 60 per cent in 08 activities. Expenditures had been made from 268 to 1653 per cent of the estimated amount in respect of 03 activities.	That targeted programmes could not be achieved as per the Action Plan of the year 2022.	The Action Plan should be developed by identifying the actual activities of each Division and prepare cost estimates accordingly.