

## **Puthukkudiyiruppu Pradeshiya Sabha - 2022**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Puthukkudiyiruppu 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 performance, statement of changes in equity, cash flow statement for the year then ended and a summary of 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 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 Puthukkudiyiruppu 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.

#### **1.2 Basis for Qualified Opinion**

I expressed qualified opinion 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 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 Sub 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 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 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**

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
The court fine and stamp duty for the year under review totalling Rs. 19,467,983 had been omitted from the financial statements of the year under review.	It will be corrected in the year 2023.	Accounts should be properly prepared.

### **1.6.2 Documentary Evidences not made available for Audit**

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
Outstanding stamp duty totalling Rs. 1,901,313 and pension payment of Rs. 929,359 could not be verified for correctness of them due to lack of balance confirmations and non-availability of details of local government pension holders respectively.	It will be submitted in the future.	Evidence required for audit should be submitted promptly.

## 1.7 Non-compliances

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

Instances of non-compliance with Laws, Rules and Regulations are shown below.

	<b>Non-compliance with Laws, Rules, Regulations and Management Decisions</b>	<b>Amount</b>	<b>Non-compliances</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
		<b>Rs.</b>			
(a)	Rule 140 of Chapter V of the Pradeshiya Sabha Financial and Administrative Rules of 1988	180,000	An advance for festival expense and a salary advance given to an employee had not been settled for the last 05 months to 12 years.	It will be settled soon.	Actions should be taken to settle immediately.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka  Financial Regulation 571	2,853,743	Period between 06 months and 04 years had passed, 43 lapsed deposits had not been cleared.	Appropriate action will be taken.	Actions should be taken as per financial regulations.
(c)	Public Administration Circular No. 14/99 of 11 June 1999	3,955,818	The distress loans had been paid without a declaration on honour by the applicant during the year under review.	It will be obtained in future.	The relevant circular instructions 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. 38,936,027 as compared with the excess of revenue over recurrent expenditure amounted to Rs.46,570,517 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, information relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Source of Revenue	2022				2021			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at December 31	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	16,000	3,000	3,000	-	1,000	15,000	15,000	-
Rent	15,661,000	16,729,473	16,619,220	1,487,976	18,280,000	14,479,903	13,002,819	1,613,473
License Fees	7,179,000	10,234,838	10,276,420	-	6,447,000	14,914,125	14,914,125	-
Other revenue	<u>28,994,000</u>	<u>36,902,320</u>	<u>28,774,584</u>	<u>9,433,256</u>	<u>27,546,000</u>	<u>32,269,275</u>	<u>22,456,404</u>	<u>11,565,165</u>
	<u>51,850,000</u>	<u>63,869,631</u>	<u>55,673,224</u>	<u>10,921,232</u>	<u>52,274,000</u>	<u>61,678,303</u>	<u>50,388,348</u>	<u>13,178,638</u>

### 2.2.2 Performance in Revenue Collection

#### Audit Observation

The Sabha had failed to recover arrears of rent, lease and service charges amounting to Rs.1,512,976 for the period between 01 and 03 years.

#### Comment of the Sabha

Steps have been taken to recover.

#### Recommendation

Arrears of revenue should be recovered immediately.

## 3. Operating Review Assets Management

#### Audit Observation

(a) Although more than 05 years had passed, no steps have been taken to take over the ownership of 12 vehicles being used by the Sabha.

#### Comment of the Sabha

The reason for this was non-availability of original copies of registration certificates.

#### Recommendation

Actions should be taken to take over after consulting the Department of Motor Traffic.

(b) Although a period between 01 and 24 years had lapsed, no steps had been taken to assess the value of 12 vehicles belonging to the Sabha and show them in the financial statements.

Action will be taken to revalue.

The values of the vehicles should be assessed and shown in the financial statements.

#### **4. Accountability and Good Governance**

##### **Environmental Issue**

###### **Audit Observation**

The sabha had not taken any action for obtaining environmental permits for solid waste storage places, seggregating and collecting garbage and recycling solid waste up to now.

###### **Comment of the Sabha**

Actions are being taken to seggragate waste and obtain environmental permits.

###### **Recommendation**

Solid waste should be managed properly.