

Valikamam North Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Valikamam North 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 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 Valikamam North 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.

- 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.
- 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

Audit Observation	Comment of the Sabha	Recommendation
02 Markets,02 Cemeteries,02 purchased vehicles and 03 office equipments valued aggregating to Rs. 3,133,520 had not been accounted as fixed assets.	It will be rectified this year.	Accounts should be prepared properly.

1.6.2 Un reconciled control accounts and reports

Audit Observation	Comment of the Sabha	Recommendation
A difference of Rs. 254,749 had been observed between the balances of stores items shown in the store ledger and financial statements as at 31 December 2022.	Action will be taken to rectify.	Accounts should be prepared properly.

1.6.3 Lack of documentary evidences for audit

Audit Observation	Comment of the Sabha	Recommendation
Detail of schedule, Title deeds and survey plan for the properties valued aggregating to Rs. 8,166,815 had not been made available for audit.	Report will be submitted by analysed.	Suffient audit evidences should be submitted to audit.

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. 86,078,060 as against the excess of revenue over recurrent expenditure amounted to Rs. 58,896,846 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 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	260,000	12,290,057	2,885,746	9,819,953	184,000	103,595	51,172	435,401
Rent	6,693,600	9,658,932	9,715,487	3,827	7,815,100	9,531,645	8,526,178	1,048,537
License Fees	3,110,000	2,989,877	2,989,877	-	2,897,000	2,771,864	2,771,864	-
Other revenue	68,324,400	102,445,309	95,655,420	9,032,515	61,583,400	70,966,002	64,587,459	8,172,096
	<u>78,388,000</u>	<u>127,384,175</u>	<u>111,246,530</u>	<u>18,856,295</u>	<u>72,479,500</u>	<u>83,373,106</u>	<u>75,936,673</u>	<u>9,656,034</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Comment of the Sabha	Recommendation
Rates and taxes aggregating to Rs.9,819,953 had been allowed to be arrears at the end of the year under review and a revenue loss of Rs. 1,157,956 had been occurred due to idling 06 shops.	Action will be taken to recover by conducting mobile services and appointing revenue collection officers.	Arrears of revenue should be recovered with out being delayed.

3. Operating Review

Assets Management

Audit Observation	Comment of the Sabha	Recommendation
The ownership of 37 lands, 20 cemeteries and 03 vehicles under the purview of the Sabha had not been acquired.	Action will be taken in future.	Ownership of assets should be settled.

4. Accountability and Good Governance

Environmental Issue

Audit Observation

Actions had not been taken to obtain the environmental licenses for the strages places, segrrgating and recycling the solid wastages.

Comment of the Sabha

Actions are being taken for this.

Recommendation

Solid wastages should be managed properly.