

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Ninthavur Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Balance Sheet as at 31 December 2023, Income and Expenditure Account, 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 National Audit Act No. 19 of 2018. My comments and observations which I consider should be reported 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 Ninthavur Pradeshiya Sabha as at 31 December 2023, 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 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 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 except 1.6.1 any 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

### Accounting Deficiencies

Audit Observation	Comment of the Council	Recommendation
An amount of Rs.308,884 for the construction of the slaughter house which was completed in the council funds was not shown as fixed assets in the financial statements.	Corrective action will be taken in future financial statements.	Action should be taken to disclose it as an asset in the financial statements.

## 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 2023 amounted to Rs. 86,270,197 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 10,456,949 in the preceding year.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

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	2023				2022			
	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.)
i. Rates and Taxes	11,400,000	64,540,592	3,274,186	65,300,215	10,750,000	4,379,800	4,906,091	4,033,809
ii. Rent	21,420,000	10,953,871	10,953,871	3,173,466	21,420,000	6,963,096	6,963,096	3,173,466
iii. License Fees	2,200,000	1,262,250	1,262,250	-	2,100,000	1,272,300	1,272,300	-
iv. Other revenue	3,005,000	892,971	892,971	2,477,322	5,025,000	1,445,976	1,445,976	2,477,322
Total	<u>38,025,000</u>	<u>77,649,684</u>	<u>16,383,278</u>	<u>70,951,003</u>	<u>39,295,000</u>	<u>14,061,172</u>	<u>14,587,463</u>	<u>9,684,597</u>

## 2.2.2 Performance in Revenue Collection

The observations regarding the performance in revenue collection of the council are as follows.

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) At the end of the review year, the outstanding amount of assesment tax of Rs. 62,854,496 had not been taken to recover by the council.	Action will be taken to recover in due time.	Steps should be taken to recover the balance.
(b) Since 2018 to December 2023, no action had been taken to provide 15 to 20 shop rooms on rent, the council had a loss of income amounting to Rs 1,281,600 in the last six years.	Actions will be taken to rent it out in the future.	Action should be taken to rent out particular shop
(c) Regarding the stamp duty to be received by the council for the period from 2020 to 2022, the difference between the amount sent by the council and the amount sent by the Eastern Province Local Government Department was Rs.3,267,600. Due to this action had not been taken by the council.	Requests and appropriate follow-up actions are being taken and remedial action will be taken if available.	Action should be taken to recover promptly

## 3. Operational Review

### 3.1 Management Inefficiency

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
The Council's motor grader machine was repaired on March 21, 2022 and no action had been taken to correct it. As a result, no income has been generated from 2022 to 31 December 2023.	Once the repair works are completed, steps will be taken to generate income through it.	Action should be taken to repair motor grader machine and earn income.

### 3.2 Assets Management

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
For more than 06 years no action had been taken by the council to repair and reuse the 09 vehicles owned by the council or to sell them at auction.	Steps will be taken to repair and other vehicle will be auctioned.	Action should be taken to repair and reuse or sell it at auction.

### 3.3 Underutilized Asset

#### **Audit Observation**

In respect of equipment purchased by the Council under the Local Development strengthening project for an amount of Rs 3,575,000 during the period under review. A preliminary meeting jointly with the Procurement Committee and the Technical Evaluation Committee was not held and the tender was sent without the specification. Also, although a one-year warranty has been given regarding this purchase, as the building for this project has not been constructed, the warranty period has expired before the equipment can be used and the purpose of this project has not been fulfilled.

#### **Comments of the Council**

Although the technical evaluation committee and the procurement committee jointly started this work plan, due to lack of time to prepare it in written form, a meeting could not be held and prepared. The construction of the said building is in progress and after its completion, appropriate follow-up activities will be undertaken.

#### **Recommendation**

Appropriate action should be expedited to achieve the target.

### 3.4 Human Resource Management

#### **Audit Observation**

Action had not been taken to recover the outstanding amount of Rs. 32,620 from 04 officers or their guarantor.

#### **Comments of the Council**

Steps are being taken to settle the remaining loan amounts.

#### **Recommendation**

Steps should be taken to collect the loan balance from the appropriate persons or guarantor.

## 4. Accountability and Good Governance

### 4.1 Environmental Issues

#### **Audit Observation**

A permit must be obtained in accordance with the National Environment Act No. 47 of 1980 as amended by Acts No. 56 of 1988 and No. 53 of 2000 and the ordinances in force thereunder. However, no action had been taken by the council to renew the permits of 64 industries.

#### **Comments of the Council**

A series of measures are also being taken to send reminder letters to industries with expired permits.

#### **Recommendation**

Steps should be taken to properly renew environmental permits as per law.