

## **1. Financial Statements**

### **1.1 Qualified Opinion**

The audit of the financial statements of the Thirukkovil 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 Thirukkovil 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 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 Council	Recommendation
A sum of Rs.1,277,526 of electricity bill, telephone bill, water bill and other payments due for the month of December of the year under review was not disclosed in the financial statement.	All the payment slips received till the time of preparation of accounts have been included and the accounts have been prepared.	Steps should be taken to disclose the balance.

## 1.7 Non- Compliances

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

Following observations are related to non-compliances with Laws, Rules, Regulations and Management decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
Section 571(1),(2),(3) of the Financial Regulation of Democratic Socialist Republic of Sri Lanka.	The council had not taken appropriate action regarding 04 overdue deposits amounting to Rs 1,462,860 for more than two years had credited to the revenue.	The first, second and third notices are issued to the specified persons and will be completed after receiving the reply.	According to the Financial Regulation, action should be taken to return the overdue deposits to the appropriate persons or credited them to the revenue.

## 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.12,533,099 as against the excess of recurrent expenditure over revenue amounted to Rs. 3,380,923in the preceding year

## 2.2 Financial Control

Audit Observations	Comments of the Council	Recommendations
(a) The Sabha had not made the necessary adjustments in the cash book and identified the actual cash balance by the end of the year under review, regarding a cheque amounting to Rs.100,240 which was dishonoured in the year 2016.	This cheque is still showing in the bank account statement as refused by the bank.	Necessary adjustments should be made in the cash book and steps should be taken to identify the actual cash balance.
(b) An amount of Rs.3,960,887 was found to be outstanding in 03 bank current account balances over four years. Also, despite the amount of Rs 17,705,923 as reserve money from the beginning of 2018 to the end of 2023, no action has been taken to involve the surplus amount except the amount of money required to carry out the recurring expenses for the year.	Steps will be taken to invest in income maximizing sources.	Actions should be taken to mobilize additional funds to achieve the council's objectives.

## 2.3 Revenue Administration

### 2.3.1 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	-	-	-	-	6,000	-	-	-
ii. Rent	4,895,000	5,443,021	5,134,430	4,066,628	2,565,000	6,736,598	3,467,415	3,269,183
iii. Income License Fees	689,000	826,990	826,990	-	810,000	505,225	505,225	-
iv. Other revenue	3,262,000	3,220,440	3,107,850	171,937	3,758,000	2,895,269	2,895,269	-
Total	<u>8,846,000</u>	<u>9,490,451</u>	<u>9,069,270</u>	<u>4,238,565</u>	<u>7,139,000</u>	<u>10,137,092</u>	<u>6,867,909</u>	<u>3,269,183</u>

### 2.3.2 Performance in Revenue Collection

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

<b>Audit Observations</b>	<b>Comments of the Council</b>	<b>Recommendations</b>
(a) As on December 31, 2023, the amount of shop rent due was found to be Rs. 1,948,123 and this amount was found to be from long-term tenants and the balances of the previous year were not recovered from them and due to this the balance increased by Rs 488,853 during the year under review.	We expect to recover by 2024 or legal action will be taken.	Steps should be taken to collect the dues promptly.
(b) The stamp duty due from the Chief Secretary of the Provincial Council and other authorities on December 31, 2023 was Rs. 1,436,450.	A request will be made to the Inland Revenue Department as soon as the requested documents are available.	Action should be taken to dispose of it in due time.

## 3. Operational Review

### 3.1 Management Inefficiency

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
Action had not been taken by the council to provide 06 shoprooms and one old shoproom on rent in the public market building block in Thambiluvil for more than 04 years.	Traders do not come forward to take shop space on rent as people buy goods from street stalls and traffic jams.	Steps should be taken to stop street stalls then take action to rent out the shops.

### 3.2 Assets Management

<b>Audit Observations</b>	<b>Comments of the Council</b>	<b>Recommendations</b>
(a) The garbage shredder and two paper making machines used in the solid waste management center have been broken for many years without proper maintenance and no action has been taken by the council to repair and re-use them or provide them on rent.	At present, steps have been taken to modify the said machines to make them suitable for use.	Take steps to renovate and reuse or rent.
(b) Nine vehicles in the sabha had not been repaired and re-used or disposed off appropriately even at the end of the year.	Actions will be taken to repair or auction the vehicles.	Action should be taken to repair and reuse or sell at auction.

### 3.3 Procurement Management

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
Although an amount of Rs. 10.6 million was estimated and allocated by the council for the reconstruction of the building required to use the rice cleaning and drying machines purchased for Rs. 17,678,131 in the review year, the said building will not be reconstructed as the said machines are not being used and the warranty period has expired.	Relevant reply not given	Action should be taken to renovate the building and use the purchased machinery items.

### 3.4 Human Resource Management

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
A sum of Rs 316,792 to be recovered from 05 officers who deceased, retired and left the service after serving in the council had not been recovered and shown in the financial statement continuously.	Action will be taken to recover from death gratuity pensionary gratuity.	Action should be taken to recover from the appropriate person or from the surety.

## 4. Accountability and Good Governance

### 4.1 Environmental Issues

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
Although the licenses of 13 of the registered industries have expired, no legal action had been taken by the council to renew them.	Steps will be taken to renew the licenses of the expired industrial establishments and take legal action in the future.	Steps should be taken to renew permits as per law