

Nanattan Pradeshiya Sabha – 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Nanattan Pradeshiya Sabha for the year ended 31 December 2023 comprising the balance sheet as at 31 December 2023 and income and expenditure account and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out 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 Nanattan 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 Principles.

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 Principles 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 Observations	Comments of the Sabha	Recommendations
(a) Estimaated cost of 04 un completed construction works aggregating to Rs. 3,607,000 had been accounted as creditors.	All budgeted works will be completed before end of the year in future.	Account balances should be adjusted.
(b) 23 items of immaterial and small valued aggregating to Rs. 116,325 had been shown as non current assets in the financial statements.	Action will be taken to correct in the financial statements for the year 2024.	Accounts should be prepared correctly.

1.7 Non-compliances

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

Reference to Laws, Rules and Regulations	Non-compliance	Comment of the Council	Recommendation
Sub section IX (b) of section 126 of Pradeshiya Sabha Act No. 15 of 1987.	Charges for collection of garbages and dirty water aggregating Rs.8,545,553 had been made without being enforcing By-laws.	Action will be taken to enforce the By-Laws in future.	Action should be taken in terms of the Act.

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. 17,229,150 as compared with the excess of revenue over recurrent expenditure amounted to Rs.16,602,747 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	2023				2022			
	Estimated Revenue	Revenue billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rent	11,900,985	10,755,559	10,757,568	-	6,721,150	22,935,763	22,933,754	2,009
License Fees	1,542,395	1,342,968	1,342,968	-	1,600,100	1,140,851	1,140,851	-
Other revenue	3,379,489	6,259,097	6,277,097	-	39,227,480	41,270,495	41,252,495	18,000
Total	<u>16,822,869</u>	<u>18,357,624</u>	<u>18,377,633</u>	<u>-</u>	<u>47,548,730</u>	<u>65,347,109</u>	<u>65,327,100</u>	<u>20,009</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Comment of the Sabha	Recommendation
Stamp duty amounting to Rs. 786,062 was recoverable as at 31 December 2023.	Action is being taken to recover the stamp duty.	Revenue should be collected with out being delayed.

3. Operating Review

3.1 Management Inefficiencies

Audit Observations	Comments of the Sabha	Recommendations
(a) 86 Land belonging to the sabha had not been valued and brought to the accounts over 12 years.	It will be accounted once soon after obtain the recommendation and valuation.	Accounts should be prepared accurately.
(b) Action had not been taken to engage the balance of Rs. 17,003,930 available in the current account in revenue generating sources.	Actions are being taken to deposit to fixed deposit account.	Actions should be taken to engage in the revenue generating sources.

4. Accountability and Good Governance

4.1 Environmental Issues

Audit Observation	Comment of the Sabha	Recommendation
Even though a sum of Rs. 19,652,240 had been paid for the activities of disposal of solid wastages for the year under review, actions had not been taken to obtain the Environmental license for disposal location or to collect by categorising or to recycling them.	Action is being taken to obtain the environmental license, collection by catogarising and recycling the solid wastages.	Solid wastages should be managed effectively.