

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Nivithigala Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position, statement of financial performance, Cash Flow Statement, Statement of changes in equity for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 31 December 2023 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 Nivithigala 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 financial reporting process of the Pradeshiya Sabha.

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 to be prepared.

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 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	Comments of the Council	Recommendation
(a) Value of a computer had been overstated by Rs.1,329,000.	These will be corrected in the financial statements of the year 2024.	Should be properly accounted for.
(b) The amount of Rs.59,950 received and banked during the year under review had not been entered in the cash book and income ledger.	These will be corrected in the financial statements of the year 2024.	The correct value should be properly accounted for.
(c) Shop rental billings relating to the year under review had been understated by Rs.1,368,600.	- do -	- do -
(d) Machinery and equipment and land surveying charges totaling Rs.152,229 had not been capitalized.	- do -	- do -
(e) Library books amounting to Rs.143,090 had been accounted for twice.	-do-	- do -
(f) According to the financial statements, there was a difference amounting to Rs.95,000 when comparing the salary and member allowance balance as at 31 December 2023 with the documents used on that date.	This amount, which had not been reimbursed by the provincial council, continues as arrears of salary until now.	It should be discussed and settled with the Provincial Council.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
Detailed schedules of 02 accounting subjects totaling Rs.27,200,050 had not been submitted.	Measures will be taken to make corrections in preparing the financial statements for the year 2024.	Information should be submitted for 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 2023 amounted to Rs.10,163,238 as compared with the excess of revenue over recurrent expenditure amounted to Rs.5,713,191 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 Secretary, information about the estimated income, billed income, collected income and arrears related to the year under review and the previous year are given 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.
Rates and Taxes	2,886,773	2,717,766	3,224,717	859,010	2,574,429	2,698,119	2,645,318	1,285,333
Rent	18,891,250	8,844,162	8,838,856	76,800	13,053,700	7,688,250	7,517,814	147,990
License fee	1,680,700	1,258,985	1,258,985	-	1,163,590	1,026,705	1,026,705	1,500
Other Revenue	<u>3,303,900</u>	<u>4,584,540</u>	<u>9,101,521</u>	<u>-</u>	<u>2,507,250</u>	<u>3,164,210</u>	<u>3,163,442</u>	<u>-</u>
	<u>26,762,623</u>	<u>17,405,453</u>	<u>22,424,079</u>	<u>935,810</u>	<u>19,298,969</u>	<u>14,577,284</u>	<u>14,353,279</u>	<u>1,434,823</u>

2.2.2 Performance in Revenue Collection

	Audit Observation	Comments of the Council	Recommendation
(a)	The outstanding rate balance as at the last day of the year under review was Rs.709,134 and it included a balance of Rs.289,699 which was more than 05 years old.	Final notices are being prepared for Sequestration of the Properties. Mobile programs are also conducted for recovery of dues.	Arrears of revenue should be collected promptly.

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| (b) | The balance in arrears of acreage tax of Rs.116,327 at the last day of the year under review included a balance of Rs.104,558 which was more than 03 years old. | Final announcements are being prepared for this. | -do- |
| (c) | Even though Garbage charges for the year 2023 had been announced through the gazette dated 04 November 2022, the charges had not been levied. | The survey for collection of garbage charges has been completed. Further work is in progress. | -do- |
| (d) | One shopkeeper had refused to pay rent of Rs.52,000 since the council did not take action to repair the water leakage in the public market stalls. | Shop rent cannot be charged until the shop which is closed from September 2022 is repaired and re-handover. | Arrears should be collected by completing the repair. |
| (e) | The collection of tolls had been stopped as a result of refusal of vehicle owners to pay the tolls due to the lack of facilities to stop vehicles in the city, | Rs.45,000 had been recovered from the contract security for the fee due in relation to the time till the rejection of the tender. | Necessary facilities should be provided and revenue should be collected. |

3. Operational Review

3.1 Solid Waste Management

Audit Observation

It was reported by the Sustainable Agriculture Research and Development Institute that the produced compost fertilizer was poor in quality. Also, the biodegradable waste shredder purchased for Rs.580,000 in 2021 remained idle even by November 2023 due to lack of three-phase electricity.

Comments of the Council

Measures will be taken to improve the quality of fertilizers and get three-phase electricity.

Recommendation

Solid waste should be properly managed.

3.2 Informal Transactions

Audit Observation	Comments of the Council	Recommendation
02 pre-school wardens were paid Rs.454,000 from the year 2005 to the year 2023 when there was no approved post of pre-school wardens. It was confirmed that payments for one of the wardens had been made the even though she had left the service and the other warden comes to the pre-school only 03 days per month.	The warden who received this allowance without serving has been informed in the letter to repay the amount of Rs.20,000 paid and the warden who comes only 03 days in a month has been informed in the letter to repay Rs.20,000.	Action should be taken as per the circular.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
No measures had been taken to remove 18 dangerous trees for which the requests had been made from the year 2020 to the year 2022.	Even though the prices had been called for the same, as there was no any response, measures will be taken to call the prices again.	Those trees should be removed immediately as they are dangerous.

3.4 Vehicle Pool Management

Audit Observation	Comments of the Council	Recommendation
Even though an estimate of Rs.585,000 had been submitted to the insurance company to repair an accident-stricken gully bowser, the vehicle has remained unused since November 2021 since the insurance company had not agreed to it.	If the insurance claim is not received, the necessary repairs are being carried out according to the notice issued by the Assistant Commissioner of Local Government to carry out the repairs subject to recovery from the responsible persons.	Assets should not be remained idle.