

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Irakkamam 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 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 Irakkamam 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 Practicals, 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 (a) 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

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Action had not been taken to correct the amount of Rs.1,311,300 for replacement of tires for vehicles and Rs.110,800 for purchase of batteries shown as capital expenditure in the financial statements.	Action will be taken to show when preparing the financial statements for the upcoming financial year.	Steps should be taken to rectify.
(b) During the year under review, stamp duty amounting to Rs.901,500 for January to July and August to December were calculated and not shown in the financial statements.	In subsequent periods the stamp duty receivable for the assessment year is calculated and shown as income receivable in the financial statements.	Action should be taken to show the income for the period in the financial statements.

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.	Action had not been taken by the council to refund the overdue deposits amounting to Rs 518,775 more than two years to the concerned persons or credited them to revenue.	A letter has been sent to the owners asking them to collect the deposit. In case it is not received, steps will be taken to convert it to revenue.	Steps should be taken to return the overdue deposits to the appropriate persons or to credit them to the revenue as per the financial regulation.

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.826,053 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 453,208 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 submitted by the council, 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	2,170,000	576,441	576,441	-	890,000	279,735	279,735	-
ii. Rent	2,805,000	863,350	863,350	1,094,473	2,305,000	1,007,828	1,007,828	1,071,583
iii. Income License	1,260,000	1,106,810	1,106,810	-	1,240,000	879,970	879,970	-
iv. Fees Other revenue	4,530,000	3,016,175	3,016,175	-	6,910,000	5,341,899	5,341,899	-
Total	<u>10,765,000</u>	<u>5,562,776</u>	<u>5,562,776</u>	<u>1,094,473</u>	<u>11,345,000</u>	<u>7,509,432</u>	<u>7,509,432</u>	<u>1,071,583</u>

2.2.2 Performance in Revenue Collection

Audit Observation

An amount of Rs 1,029,223 due from the grant of lease in question till 31st December in the year under review is outstanding for more than 14 years.

Comments of the Council

From 01.04.2011 when it was formed as a new council, action is being taken to waive it as it was received from Sammanthurai Pradeshiya Sabha without any outstanding documents.

Recommendation

Steps should be taken to collect and get the proper documents for the arrears.

3. Operational Review

3.1 Management Inefficiencies

Audit Observations	Comments of the Council	Recommendations
(a) The open market was leased to an outsider for Rs 155,000. However, if the council had conducted the market with the council employees without giving it on lease, it could have earned an income of Rs. 515,000 in the year under review.	During the period like agricultural harvest season, New Year season and festival, the collection amount is higher. But in normal times such amount was not collected.	Consideration should be given to the market situation and income and accordingly steps should be taken to provide a suitable amount for the lease.
(b) Ashraf Memorial Hall was reconstructed at a cost of Rs.8,701,233 last year to increase the income by the council, but only Rs.102,000 was received as income in the review year due to lack of proper planning and no advertisements were made to increase the income.	In the future, measures will be taken to increase the rental income by increasing the rental income.	Steps should be taken to recover income by introducing a new system and carrying out adequate publicity.

3.2 Assets Management

Audit Observation	Comments of the Council	Recommendation
The values of 13 vehicles and trailers owned and used by the council had not been reassessed and their actual value had not been accounted.	Steps will be taken for revaluation in future.	Actions should be taken to revalue assets.

3.3 Vehicle Utilization

Audit Observation	Comments of the Council	Recommendation
Action had not been taken to transfer ownership of 03 vehicles used by the council in the name of the council.	The two vehicles were given by the Sammanthurai Pradeshiya Sabha without any documents so the name cannot be changed. Also, steps have been taken to change the ownership of the other vehicle.	Steps should be taken to transfer ownership of vehicles to the name of the council.