

## **1. Financial Statements**

### **1.1 Qualified Opinion**

The audit of the financial statements of the Puthukudiyiruppu 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 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 accompanying financial statements give a true and fair view of the financial position of the Puthukudiyiruppu 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**

My opinion is qualified 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 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 and Regulatory Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the 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 recommendations made by me in the previous year as per the requirement of Section 06 (1) d (iv) of the Audit Act No. 19 of 2018.

## 1.6 Audit observations regarding the preparation of financial statements

### 1.6.1 Accounting Deficiencies

<b>Audit Observations</b>	<b>Comment of the Sabhas</b>	<b>Recommendations</b>
(a) In the year under review, the silver water tank which was purchased for Rs. 2,064,750 and installed in the car and the cost of two completed buildings amounting to Rs. 1,800,000 had not been accounted as fixed assets in the year under review.	That was not included in the financial statements due to an error.	Financial statements should be prepared accurately.
(b) In the year under review, a sum of Rs. 25,858,262 of the grants given to the council from the Local Credit Development Fund had not been disclosed in the financial statements.	That actions will be taken to present the Statement of financial position of the next financial year.	- Do -
(c) Estimated cost of Rs. 1,400,000 related to unfinished construction had been accounted as creditors.	- Do -	- Do -

## 1.6.2 Lack of Documentary Evidence

Audit Observation	Comment of the Sabha	Recommendation
In the absence of evidence of procurement documents and price lists, the exact value of the children park equipment amounting to Rs.1,996,500 had been remained unconfirmed.	That purchases were made by applying the procurement process.	Written evidences of expenses should be submitted.

## 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. 51,513,707 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 38,936,027 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 Sabha 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	Estimated Revenue	2023			Arrears as at 31 December	2022		
		Revenue billed	Revenue Collected	Estimated Revenue		Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	2,742,000	1,351,268	841,162	510,106	1,000	15,000	15,000	-
(ii) Rent	20,007,000	18,708,396	18,878,537	1,317,835	18,280,000	14,479,125	13,002,819	1,487,976
(iii) License Fees	10,258,000	9,882,350	9,882,350	-	6,447,000	14,914,125	14,914,125	-
(iv) Other revenue	44,186,000	56,704,461	60,163,182	4,022,145	27,546,000	32,269,275	22,456,404	9,433,256
	<b>77,193,000</b>	<b>86,646,475</b>	<b>89,765,231</b>	<b>5,850,086</b>	<b>52,274,000</b>	<b>61,677,525</b>	<b>50,388,348</b>	<b>10,921,232</b>

## 2.2.2 Performance in Revenue Collection

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
Any actions had not been taken to levy assessment tax, according to the section 13 4(i) of the Pradeshiya Sabha Act No. 15 of 1987.	In future, this Pradeshiya Sabha Act will be implemented and assessment tax will be levied.	Appropriate actions should be taken to charge the assessment tax.

## 3. Operational Review

### 3.1 Management Inefficiencies

<b>Audit Observations</b>	<b>Comment of the Sabhas</b>	<b>Recommendations</b>
(a) The National Library and Documentation Services Board had been provided 06 tabs, 08 computers, 01 laptop and 03 scanners in the year 2021 for the promotion of e-libraries in the council, but any effective actions had not been taken to provide library facilities as intended until the end of the year under review.	That it was not possible to implement these continuously as the e-trained librarian got annual transfers.	Actions should be taken to promote e-library facilities.
(b) In the year 2021, the Pudukudiruppu Children Garden was constructed by spending Rs. 10,955,375 from the funds of the council, but it did not get the desired results from the last 02 years.	After completing the work, actions will be taken to make it available to the people.	Assets should not be left idle.

### 3.2 Assets Management

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
Any actions had not been taken to take over 01 single cab cars, 01 double cab cars, 05 tractors, 02 trailers, 03 gully bowsers and 01 rollers which had been donated to the council.	That the transfer of ownership is not possible due to the lack of primary documents related to these vehicles and the details of the given institutions.	Effective actions should be taken to take over to the council.

#### **4. Accountability and Good Governance**

##### **4.1 Environmental Observation**

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
The compost yard building established in the Mannakandal area at a cost of Rs. 2,817,960 by the council in the year under review had not been utilized for the relevant purposes until now.	At present, polythene and perishable materials etc. are sorted and collected.	Actions should be taken to utilize it for the relevant purposes.