

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Thunukkai 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 Thunukkai 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

Audit Observations	Comment of the Sabhas	Recommendations
(a) The cost of the water pump purchased and installed in the year under review amounting to Rs. 988,019 had not been shown in the financial statements as fixed assets.	That instructions have been given to add to the accounts of the year 2024.	Financial statements should be prepared accurately.
(b) In the year under review, a sum of Rs. 23,084,272 of the grants given to the council from the Local Credit Development Fund had been entirely omitted in the financial statements.	That it was shown in the fixed assets accounts.	- Do -

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. 20,085,939 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 14,830,316 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	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	30,250	40,500	40,500	-	24,250	30,200	30,200	-
(ii) Rent	13,046,850	12,223,473	12,201,447	467,050	12,338,746	10,454,670	10,023,145	445,024
(iii) License Fees	472,400	555,750	555,750	-	512,400	441,600	441,600	-
(iv) Other revenue	21,037,842	24,926,103	24,926,103	1,485	15,727,585	17,067,489	17,053,989	1,485
	<u>34,587,342</u>	<u>37,745,826</u>	<u>37,723,800</u>	<u>468,535</u>	<u>28,602,981</u>	<u>27,993,959</u>	<u>27,548,934</u>	<u>446,509</u>

3. Operational Review

3.1 Operational Inefficiency

Audit Observation

The Tennian Kulam Shop Complex, which was built at a total cost of Rs. 1,809,467 from Provincial Specific Development Grants, had been entered into contracts and handed over for business purposes without being assessed by an approved valuer.

Comment of the Sabha

That it is being used at a monthly rent of Rs. 2,000 to Thukkkai Co-operative society.

Recommendation

Appraisals and Contracts should be entered into by an approved valuer.

3.2 Assets Management

Audit Observation

Actions had not been taken to take over 02 tractors and trailers, gully bowsers etc. which had been given to the council, by the Northern Provincial Council, the Ministry of Economic Development and the Ministry of Resettlement from last 04 years to 10 years.

Comment of the Sabha

That the copies of registration books are not available as these vehicles are not registered.

Recommendation

Actions should be taken to take over by the council without any delay.

4. Accountability and Good Governance

4.1 Environmental Observation

Audit Observation

The council had been given approval to 22 industries which were engaged in commercial operations such as carpentry and milling mills which had not obtained licenses for the past 01 to 06 years, in accordance with the National Environment Act No. 47 of 1980 as amended by Acts No. 56 of 1988 and No. 53 of 2000 and the regulations under them.

Comment of the Sabha

That the currently operating factories have been instructed to obtain licenses from the Central Environment Authority.

Recommendation

Actions should be taken to renew licenses in accordance with the National Environment Act and the regulations under them.