

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Vavuniya South Sinhala 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 accompanying financial statements give a true and fair view of the financial position of the Vavuniya South Sinhala 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.

- 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 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 total value of Rs. 5,325,046 of 28 items received through a financial aid project had not been accounted. | That the installation of solar powered light bulbs was not included in the value of fixed assets. | Accounts should be prepared correctly. |
| (b) | Estimated cost of Rs. 1,500,000 related to unfinished construction had been accounted as creditors. | That will be corrected in the final accounts of the year 2024. | Accounts should be prepared correctly. |
| (c) | In the year under review, the value of disposed 40 items had not been deducted from the cost of fixed assets. | That will be corrected in the final accounts of the year 2024. | Accounts should be prepared correctly. |
| (d) | 18 cemeteries, 06 playgrounds and 45 units of donated furniture and fixtures belonging to the council had not been valued and accounted. | That actions are taken to assess the value of the assets and present them in the financial statements. | Financial statements should be prepared accurately. |

1.7 Non- Compliances

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

| Reference to Laws, Rules, Regulations etc. | Non-compliance | Comment of the Sabha | Recommendation |
|---|---|---------------------------------------|---|
| 571(1), (2) and (3) of the Finance Regulations of the Democratic Socialist Republic of Sri Lanka. | A sum of Rs. 200,000 of overdue deposits of more than 02 years had been remained unsettled. | That further actions are being taken. | Actions should be taken according to the financial regulations. |

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. 4,584,625 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 4,703,664 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 | 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. |
| (i) Rent | 1,686,210 | 3,903,180 | 1,485,069 | 2,418,111 | 1,814,000 | 1,541,593 | 469,732 | 1,071,861 |
| (ii) License Fees | 2,701,500 | 1,681,940 | 1,681,940 | - | 7,855,000 | 6,157,145 | 6,157,145 | - |
| (iii) Other revenue | 5,046,000 | 5,288,848 | 5,288,848 | - | 1,800,000 | 1,370,588 | 1,370,588 | - |
| Total | 9,433,710 | 10,873,968 | 8,455,857 | 2,418,111 | 11,469,000 | 9,069,326 | 7,997,465 | 1,071,861 |

2.2.2 Performance in Revenue Collection

Audit Observation

A total of stall rental receivable, shop rental and machinery and vehicle rental receivable was Rs. 1,563,343 and those balances were old between 03 and 06 years, and stamp duty receivables of Rs. 98,650 had been for more than 08 years.

Comment of the Sabha

That actions have been taken to recover.

Recommendation

Appropriate actions should be taken to recover arrears of rentals.

3. Operational Review

3.1 Assets Management

Audit Observations

- (a) Although 05 vehicles owned by the council had been stored unused in the vehicle yard for 03 to 10 years, any actions had not been taken to repair or dispose of those vehicles.
- (b) The ownership of 06 vehicles used by the council had not been taken over.

Comment of the Sabhas

- That actions have been taken to repair.
- That the transfer of ownership is in progress.

Recommendations

- Assets should not be left unused.
- The rights of the council should be settled.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

According to the budget prepared for the year under review, in comparison with the estimated income and expenses and the actual income and expenses, there were variations of 14 per cent to 115 per cent in 06 income subjects and 15 per cent to 36 per cent in 04 expenditure subjects, so budget had not been used as an effective management control tool.

Comment of the Sabha

That in the future, those deficiencies will be corrected and an effective budget will be prepared.

Recommendation

Needs should be identified and carefully budgeted accordingly.