

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Vavuniya North 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 North 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 value of Rs. 4,754,383 of the Puliyankulam Retirement Hall building completed in the year 2022 had not been shown as fixed assets.	That will be corrected in the final accounts of the year 2024.	Accounts should be properly prepared.
(b)	The value of Rs.972,959 of 03 categories of fixed assets had been understated in the financial statements.	- Do -	Financial statements should be properly prepared.
(c)	The value of 62 wells, 34 burial grounds and 10 playgrounds had not been assessed and accounted even at the end of the year under review.	That will be included in the final accounts, after valuation.	Accounts should be properly prepared.

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. 21,540,012 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 7,900,100 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	6,603,832	13,080,846	10,551,161	2,529,685	7,192,395	6,823,440	6,402,939	420,501
(ii) License Fees	12,893,000	13,113,263	12,919,267	193,996	377,000	593,639	399,643	193,996
(iii) Other revenue	62,646,160	74,189,808	57,509,994	16,679,814	76,573,000	60,055,541	57,457,704	2,597,837
Total	82,142,992	100,383,917	80,980,422	19,403,495	84,142,395	67,472,620	64,260,286	3,212,334

2.2.2 Performance in Revenue Collection

Audit Observation

Appropriate actions had not been taken for the past 01 to 08 years to recover the shop rentals and lease rentals of Rs. 2,465,767. Also, since 02 markets and 04 shops had not been given on rent basis or on lease basis, an income of Rs. 2,691,000 had been lost since last 04 years.

Comment of the Sabha

That will be recovered.

Recommendation

Appropriate actions should be taken to recover arrears of rentals and assets should not be left unused.

3. Operational Review

3.1 Identified Losses

Audit Observation

In relation to a tractor and trailer damaged in an accident, any actions had not been taken for 03 years to recover the loss by implementing the provisions of 103 to 110 of Finance

Comment of the Sabha

That no complaint was made at the police station during the relevant period.

Recommendation

Provisions 103 to 110 of the Currency Regulations should be implemented and

Regulations of the Democratic Socialist Republic of Sri Lanka.

recovery of losses should be made.

3.2 Operational Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
Actions had not been taken to utilize the balance of Rs. 29,723,966 in the bank current account in sources of income generation.	That actions are being taken to provide in public projects.	Actions should be taken to invest the funds as per the provisions of the Act.

3.3 Assets Management

Audit Observations	Comment of the Sabhas	Recommendations
(a) Nedungkeni bus stand and stalls built in 2011 at a cost of Rs. 26,137,591 under the Northern Upliftment Project had not been taken appropriate actions for utilization for over 12 years.	That many buses are reluctant to go to the bus stand due to the absence of people.	Actions should be taken to fully utilize the assets.
(b) The water treatment plant built in Periyakulam had been remained unused for the past 02 years.	That it has been decided to rent out to a sub-post office.	Assets should not be left unused.
(c) According to the financial statements, 31 properties and 04 vehicles had been used for 10 years without being transferred to the council.	That actions are being taken to take over.	Action should be taken to take possession of the right without delay.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comment of the Sabha	Recommendation
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 03 per cent to 44 per cent in 02 income subjects and 03 per cent to 85 per cent in 02 expenditure subjects, so budget had not been used as an effective management control tool.	That in the future, those deficiencies will be corrected and an effective budget will be prepared.	Needs should be identified and carefully budgeted accordingly.