

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Poonakari 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 Poonakari 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 total cost of Rs. 2,475,228 of 04 completed buildings had not been accounted as fixed assets.	That the correction will be made in the final accounts of the year 2024.	Accounts should be properly prepared.
(b) The estimated cost of Rs. 3,749,994 of 04 unfinished buildings had been accounted as creditors.	That these balances will be corrected as soon as the bills for payment are submitted.	- Do -
(c) During the year under review, a total cost of Rs.10,938,659 of the 11 pieces of furniture and 23 computers purchased, had been accounted as plant and machinery.	That the correction will be made in the final accounts of the year 2024.	Accounts should be properly prepared.
(d) The value of Rs.14,250,000 of 03 cars had been understated in the financial statements.	- Do -	- Do -
(f) Advances received amounting to Rs. 1,522,075 had not been settled in the advance account.	That the correction will be made in the final accounts of the year 2024.	Accounts should be properly prepared.
(g) 40 Ayurveda medicines worth Rs. 283,835 and 25 employee security deposits worth Rs.199,129 had not been accounted.	- Do -	- Do -

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comment of the Sabha	Recommendation
There was a total difference of Rs. 1,102,260 between the ledger balances of 02 expenditure subjects and the balances of the financial statements as at 31 December 2023.	that corrective action has been taken.	Actions should be taken to compare the balances of the financial statements with the relevant documents.

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.	02 overdue security deposits of more than 02 years totaling Rs. 227,252 had not been settled.	That further actions are being done.	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. 14,463,227 as against the excess of expenditure over recurrent expenditure revenue amounted to Rs. 1,279,869 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	-	-	-	-	1,336,605	793,750	793,750	-
(ii) Rent	8,679,389	13,829,873	8,642,335	5,187,538	5,381,574	8,725,969	4,594,805	4,131,164
(iii) License Fees	2,204,500	2,160,825	2,160,825	-	533,500	1,273,250	1,273,250	-
(iv) Other revenue	10,499,288	46,172,843	41,262,441	4,910,402	9,915,739	19,881,350	3,009,516	16,871,834
	21,383,177	62,163,541	52,065,601	10,097,940	17,167,418	30,674,319	9,671,321	21,002,998

2.2.2 Performance in Revenue Collection

Audit Observation

The outstanding balance of lease rent, rent and business license fees for more than 02 years was Rs. 6,026,306.

Comment of the Sabha

That actions are being taken to recover.

Recommendation

Effective actions should be taken to recover the arrears.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation

Effective actions had not been taken to deploy Rs. 7,564,999 in the general reserve account for over 5 years in capital projects.

Comment of the Sabha

That the necessary actions are being done to implement the projects.

Recommendation

Effective actions should be taken to deploy in capital projects.

3.2 Underutilized Property and Equipment

Audit Observation

A total of 14 computer systems and furniture purchased at a cost of Rs.1,738,800 for the promotion of libraries from the Development Fund had not been used for the relevant purposes.

Comment of the Sabha

That actions will be taken to provide to libraries.

Recommendation

Actions should be taken to utilize the assets at optimum level.

3.3 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
The ownership of 05 vehicles and 89 lands spread over 158 acres, which were used by the council for more than 05 years, has not been taken over until now.	That the transfer of ownership is in progress.	Actions should be taken to take over by the council.

4. Accountability and Good Governance

4.1 Environmental Observations

Audit Observation	Comment of the Sabha	Recommendation
Effective actions to sorted, collect and recycle the garbage had not been taken by council and had been paid a total of Rs. 2,400,050 for garbage disposal during the year under review.	That estimates are made for a process of recycling.	A proper waste management system should be adopted.