

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Valikamam 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 financial statements give a true and fair view of the financial position of the Valikamam 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

I expressed qualified opinion 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 Sub 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 Requirements

National Audit Act, No. 19 of 2018 include specific provisions for 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 the recommendations made by me in the previous year as per the requirement of section 6(1)(d)(iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observations	Comment of the Sabhas	Recommendations
(a) Total value of 04 capital work schemes carried out in the year under review and previous years and 03 office equipment received as donations amounting to Rs. 5,240,665 had not been shown in the financial statements.	It was omitted in accounting by error. action will be taken to include them.	Financial statements should be prepared accurately.
(b) Two vehicles of Rs. 846,040 not acquired by the Sabha had been shown as fixed assets in the financial statements.	No documents were received at that time. Actions have been taken to transfer ownership thereof at present.	-Do-

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs. 2,620,000 between the goods balance shown as per store ledger and the balance shown in the financial statements as at 31 December 2023.	Adjustments will be made for it in this financial year.	The balances in the financial statements should be reconciled with the relevant source documents.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comment of the Sabha	Recommendation
Arrears of assessment tax of Rs. 9,819,953 could not be satisfactorily verified during the audit as at 31 December of the year under review due to non-submission of detailed schedules and age analysis thereof.	Since a computer software has been started in this year with the support of the Local Government Department, it will be submitted with the relevant age analysis in the future.	Schedules and age analysis should be prepared.

1.7 Non-compliances

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

Reference to Laws, Rules and Regulation	Non-compliance	Comment of the Sabha	Recommendation
Section 134 of the Pradeshiya Sabhas Act No. 15 of 1987	K form had not been issued for 23,227 properties out of 31,838 properties that are to be recovered assessment tax by the Sabha in the year under review.	Actions will be taken to issue K form from the year 2024.	Actions should be taken according to the provisions of the Act.

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. 85,853,778 as compared with the excess of revenue over recurrent expenditure amounted to Rs.86,078,060 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 presented by the Sabha, information 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.
Rates and Taxes	16,632,500	18,541,782	7,764,630	20,597,105	260,000	12,290,057	2,885,746	9,819,953
Rent	8,144,800	9,691,779	9,692,856	2,750	6,693,600	9,658,932	9,715,487	3,827
License Fees	3,300,000	3,098,626	3,098,626	-	3,110,000	2,989,877	2,989,877	-
Other revenue	81,299,900	109,909,166	104,114,503	14,827,178	68,324,400	102,445,309	95,655,420	9,032,515
Total	109,377,200	141,241,353	124,670,615	35,427,033	78,388,000	127,384,175	111,246,530	18,856,295

2.2.2 Performance in Revenue Collection

Audit Observation

As at the end of the year under review, the outstanding rates and taxes balance was Rs. 20,597,105 and due to idle of 07 shops, revenue loss of Rs. 724,702 had incurred.

Comment of the Sabha

Actions will be taken to recover the arrears of rates and taxes through mobile services and revenue collection officers.

Recommendation

The arrears of revenue should be collected immediately.

3. Operating Review

3.1 Assets Management

Audit Observations

- (a) Ownership of 37 lands, 20 cemeteries and 05 vehicles which were being used by the Sabha had not been taken over.

Comment of the Sabhas

Actions will be taken in this regard in the near future.

Recommendations

Ownership should be settled to the Sabha.

- (b) A slaughterhouse and a vehicle park had been constructed at a cost of Rs.6,700,472 in the period from 2014 to 2020, but they had not been used for the relevant purposes until now.

The shortcomings highlighted by the Health Medical Officer regarding the slaughterhouse will be rectified and efforts will be made to operate in this year.

Actions should be taken to fully utilize the all assets.