

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Valikamam West 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 West 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

	<b>Audit Observations</b>	<b>Comment of the Sabhas</b>	<b>Recommendations</b>
(a)	08 capital work schemes completed at a cost of Rs. 5,793,997 in the previous years had not been shown in the financial statements.	It will be considered in the current year and included in the financial statements through journal entries.	Financial statements should be prepared accurately.
(b)	The value of 03 development works and 03 purchased goods totalling Rs.402,331 had not been accounted for.	-Do-	Accounts should be prepared correctly.
(c)	Capital work schemes amounting to Rs.2,856,262 completed in the year under review had been shown twice as land and buildings and plant and machinery in the financial statements.	It will be rectified in the current year.	Financial statements should be prepared accurately.

## 1.7 Non-compliances

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

	<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliances</b>	<b>Comment of the Sabhas</b>	<b>Recommendations</b>
(a)	Section 134 of the Pradeshiya Sabhas	K form had not been issued for 20,181 properties out of	This work will be implemented	Actions should be taken according to

Act No. 15 of 1987 28,101 properties that are to be recovered assessment tax by the Sabha in the year under review. continuously in the provisions of the next year. the Act.

(b) Financial Regulations 571(1), (2) and (3) of the Democratic Socialist Republic of Sri Lanka Lapsed deposits totalling Rs.2,799,380 which were over 07 years had not been settled. Action will be taken. Action should be taken as per Financial Regulation.

## 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. 53,636,103 as compared with the excess of revenue over recurrent expenditure amounted to Rs.38,723,371 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	10,456,472	11,347,315	11,119,925	17,820,473	10,259,872	10,694,288	10,833,887	17,593,083
Rent	20,597,435	21,575,640	21,607,922	(15,512)	14,765,100	20,960,891	23,225,697	16,770
License Fees	2,075,800	3,002,206	3,004,706	7,000	1,941,200	2,438,910	2,438,910	9,500
Other revenue	56,504,650	78,993,503	77,322,619	3,175,844	32,548,800	53,585,212	52,335,847	1,504,960
<b>Total</b>	<b>89,634,357</b>	<b>114,918,664</b>	<b>113,055,172</b>	<b>20,987,805</b>	<b>59,514,972</b>	<b>87,679,301</b>	<b>88,834,341</b>	<b>19,124,313</b>

## 2.2.2 Performance in Revenue Collection

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
As at the end of the year under review, the outstanding assessment tax balance totalled Rs.11,955,068 and as 08 markets did not call for bids, revenue lost of Rs. 860,550 had incurred.	Actions will be taken to recover arrears of assessment tax through mobile services and revenue collection officers. Bids had been invited for the markets but no one had come forward, so no lease had been granted.	The arrears of revenue should be recovered immediately.

## 3. Operating Review

### 3.1 Assets Management

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
The ownership of the lands where 18 cemeteries are located, being used by the Sabha had not been transferred to the Sabha.	Action will be taken in the near future.	The ownership of the assets should be settled.

## 4. Accountability and Good Governance

### 4.1 Budgetary Control

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
As per the budget prepared for the year under review, there was a variation from 15 per cent to 66 per cent in 05 revenue items and from 11 per cent to 79 per cent in 04 expenditure items when comparing the estimated revenue and expenditure and the actual revenue and expenditure. Thus, the budget had not been used as an effective management control tool.	Increasing prices of goods and services due to Inflation and higher stamp duty than expected were the reasons for increasing variations.	Needs should be identified and the budget should be prepared carefully.