

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Valikamam East 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 East 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) Two development works executed in the year under review and solar energy bulbs purchased in the previous year totalling Rs. 5,866,160 had not been recognized as fixed assets.	Actions will be taken to include in the capital expenditure in the financial statements of the year 2024.	Accounts should be properly prepared.
(b) Value of 03 containers amounting to Rs.1,422,793 removed from use in the previous year had not been deducted from the assets.	It will be removed from the books as soon as possible according to the proper procedure.	-Do-

1.7 Non-compliances

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

Reference to Laws, Rules and Regulation	Non-compliances	Comment of the Sabha	Recommendation
Section 134 of the Pradeshiya Sabhas Act No. 15 of 1987	K form had not been issued for 17,296 properties out of 35,851 properties that are to be recovered assessment tax by the Sabha in the year under review.	Actions are being taken to issue K form.	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. 148,671,751 as compared with the excess of revenue over recurrent expenditure amounted to Rs.154,438,111 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	5,584,500	6,468,954	5,260,385	20,134,344	5,845,000	5,604,713	1,481,592	18,925,775
Rent	29,124,817	29,781,698	29,706,732	407,817	21,850,100	22,694,330	22,311,109	669,621
License Fees	4,327,600	5,550,369	5,559,369	-	3,671,100	4,671,317	4,671,317	9,000
Other revenue	180,154,475	196,798,603	199,856,245	22,814,171	95,555,350	156,973,266	141,062,057	25,871,813
Total	<u>219,191,392</u>	<u>238,599,624</u>	<u>240,382,731</u>	<u>43,356,332</u>	<u>126,921,550</u>	<u>189,943,626</u>	<u>169,526,075</u>	<u>45,476,209</u>

2.2.2 Performance in Revenue Collection

Audit Observation

Actions had not been taken to recover arrears of rates and taxes and government tax revenue totalling Rs. 18,480,189 till now.

Comment of the Sabha

Actions had been taken to recover through mobile services and as a case regarding rent is in pending, it had not been rectified.

Recommendation

Actions should be taken to recover arrears of revenue promptly.

3. Operating Review

3.1 Management Inefficiency

Audit Observation	Comment of the Sabha	Recommendation
In the year under review, revenue lost of Rs. 2,060,868 had incurred to the Sabha due to non-calling of bids for 05 markets and stalls of the Sabha.	Markets and meat stalls had not been leased out due to no one bidding.	Actions should be taken to fully utilize the assets.

3.2 Assets Management

Audit Observations	Comment of the Sabhas	Recommendations
(a) Actions had not been taken to acquire 19 lands, 36 cemeteries and 05 vehicles which were being used by the Sabha.	Actions had been taken to acquire and actions are being taken to dispose unrepairable vehicles.	Ownership of assets should be settled.
(b) Market and vehicle park of the Sabha had not been called for bids for more than 03 to 05 years and remained unused until now without being used for any purpose.	It had not been leased out during the year under review due to calling of bids by no one.	Actions should be taken to fully utilize the assets.
(c) Equipment purchased at a cost of Rs. 972,240 for library use through the funds of the Local Development Support Project had not been used for the relevant purposes.	Due to renovation of Urumpirai Public Library, equipment being used by the library had been kept at Urumpirai Sub Office.	Actions should be taken to fully utilize the assets.

4. Accountability and Good Governance

4.1 Environmental Issue

Audit Observation	Comment of the Sabha	Recommendation
Wastes other than plastic and waste for organic fertilizers were piled up and burnt at the waste dumping ground at Neerveli. Due to such informal dumping and burning of garbage, residents of the area have to face health problems and there are also possible elements that may cause environmental hazards in the future.	Relevant matters will be taken into consideration and action will be taken in the future.	Garbage should be disposed of in an eco friendly manner.