

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Akkaraipattu Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Balance Sheet as at 31 December 2023, Income and Expenditure Account, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 Akkaraipattu 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 Practices.

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 Practicals, 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 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 includes specific provisions for 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 except 1.6.1 any 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 Observation	Comments of the Council	Recommendation
The value of Rs 284,659 of the television, 6 types of Furniture and Lenova Tab had been provided by the Local Government Departement in 2022 was not shown in the financial statements.	That will be shown in the next financial accounts.	Financial statements must be prepared accurately.

1.7 Non- Compliances

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

Following observations are related to non-compliances with Laws, Rules, Regulations and Management decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
----- Section 571(1),(2),(3) of the Financial Regulation of Democratic Socialist Republic of Sri Lanka.	----- Appropriate action had not taken regarding overdue deposits amounting to Rs 202,351 for more than two years.	----- Action will be taken to convert it into revenue.	----- Actions should be taken in respect of overdue deposits as per 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.2,558,104 as against the excess of recurrent expenditure over revenue amounted to Rs.1,516,767 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, 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			Arrears as at 31 December	2022			Arrears as at 31 December
	Estimated Revenue	Revenue Billed	Revenue Collected		Estimated Revenue	Revenue billed	Revenue Collected	
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
i. Rates and Taxes	200,000	78,580	78,580	-	50,000	150,000	150,000	-
ii. Rent	3,650,000	3,852,770	3,852,770	-	3,850,000	3,522,969	3,661,974	-
iii. License Fees	1,625,000	582,400	582,400	-	600,000	469,450	469,450	-
iv. Other revenue	5,440,000	5,397,576	5,397,576	-	4,395,000	494,657	494,657	-
Total	10,915,000	9,911,326	9,911,326	-	8,895,000	4,637,076	4,776,081	-

2.2.2 Performance in Revenue Collection

The observations regarding the performance in revenue collection of the Sabha are as follows.

Audit Observations	Comment of the Council	Recommendation
Action had not been taken to rent out a beef shop room no 2 located in the Issankanicheemai in the year under review. Due to this the sabha had lost income of Rs 220,000.	In the future, action will be taken to get way of income and get suggestion from our Head of the Department.	Steps should be taken to earn income by rented out.

3. Operational Review

3.1 Management Inefficiencies

Audit Observations	Comments of the Council	Recommendations
(a) Although lack of infrastructural facilities and adequate manpower for the Solid Waste Management Centre, a garbage grinding machine was purchased in 2022 at a cost of Rs 969,500 and remained unused till date.	It was purchased for the use in Solid Waste Management Centre of Akkaraipattu Municipal Council. The station has recently been temporarily suspended.	Action should be taken to get income from Municipal Council.
(b) Steps had not been taken to generate income by renting out the 07 types of ploughing machines used by the council for ploughing the fields.	Action will be taken to use it for agricultural activities in the future.	Action should be taken to earn income.

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| (c) | From the year 2018 to 2023, Rs. 9,406,484 were found as current account balance, but no action was taken to invest the balance of the excess reserves, other than the amount required to meet the recurring expenses of the said year, in the sources that could generate income for the council. | Action will be taken to earn income by using it in the future. | Steps should be taken to invest in potential sources of income. |
| (d) | The amount of Rs 133,500 which was collected from the people as road excavation fee for 27 water connections during the last and current year period had not been reimbursed and the roads had not been reconstructed. | The identified roads have been repaired. Steps are being taken to repair some roads. | Steps should be taken to reconstruct the roads. |

3.2 Assets Management

Audit Observation	Comments of the Council	Recommendation
(a) Although 02 vehicles owned by the council were damaged, but they were not repaired and reused or properly disposed of.	That the all repairs will be done in the future.	Vehicles should be repaired and reused or disposed of appropriately.
(b) In the year 2023 the solid waste buckets purchased for solid waste management activities under PSDG project at a cost of Rs. 500,000 were found unused in the storage room which were not yet distributed to the concerned parties.	It has been decided to provide this in the future when the trade license is received and is currently being provided.	Action should be taken to achieve the desired objective

4. Accountability and Good Governance

4.1 Sustainable Development Goals

Audit Observation	Comments of the Council	Recommendation
According to Act No. 19 of 2017, in order to achieve the Sustainable Development Goals by 2030, no action has been taken by the Council to create indicators for the goals and allocate funds in the budget.	In this year programs it have been designed to achieve sustainable development goals.	Actions should be taken to develop indicators to achieve appropriate objectives and allocate funds accordingly.