

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sammanthurai 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 Sammanthurai 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 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 Observation	Comments of the Council	Recommendation
(a) The value of the television amounting to Rs.284,659 which was received from the Local Government Department in the year 2022 was not shown in the financial statements.	This matter is currently recorded in the registers and will be rectified in the next financial statement.	Steps should be taken to disclose the donations received in the financial statement.
(b) In 2013, an amount of Rs.140,902 was capitalized for the construction of a boundary wall of a community-based association.	Adjustment will be made in the financial statement for the coming year.	Get permission and take steps to Adjustment it.

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.10,472,491 as against the excess of recurrent expenditure over revenue amounted to Rs. 14,974,592 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, 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	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	8,050,000	33,030,053	8,963,938	24,066,115	7,348,748	32,474,661	9,041,949	23,432,712
ii. Rent Income	44,936,120	40,938,912	38,787,204	2,151,708	32,408,746	39,182,350	31,536,857	7,645,492
iii. License Fees	3,080,000	2,156,700	2,136,300	20,400	3,080,000	1,941,350	1,941,350	-
iv. Other revenue	11,684,000	5,762,913	5,762,913	-	13,706,000	3,770,315	3,770,315	-
Total	67,750,120	81,888,578	55,650,355	26,238,223	56,543,494	77,368,676	46,290,471	31,078,204

2.2.2 Performance in Revenue Collection

The observations regarding performance in all revenue collection of the Sabha is shown below.

Audit Observations	Comments of the Council	Recommendations
(a) The outstanding Rates and taxes as at 31 December 2023 was amounted to Rs.24,066,115.	Revenue inspector was found alone and the balances were not collect due to economic crisis.	Steps should be taken to collect the outstandings promptly.
(b) A total of Rs 2,157,048 was found to be due at the end of the year under review for market stall rent, butcher shop rent and public market lease. And within this amount, a balance of Rs. 1,672,101 was found between 2 to 12 years.	Compliance is currently underway. Also Legal action has been taken against defaulters.	-Do-
(c) For the period from 2018 to 2021, stamp duty amounting to Rs.1,539,700 will not be paid to the council and no action had been taken by the council to collect the missing amount till the end of the review year.	The information regarding stamp duty for the said period was requested but the information was provided to us late. At present, steps are being taken to collect the said amount.	Steps should be taken to get the missing amount in due time as soon as possible.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Council	Recommendation
The council has seen a reserve bank balance of Rs 16,466,652 from the beginning of 2018 to the end of 2023, but no action had been taken to invest the council in sources of income.	The reserve bank balance is seen as repayment of deposits or as income for the coming financial year and to be spent on other expenses of the council.	Actions should be taken to engage in viable sources of income.

3.2 Assets Management

Audit Observation	Comment of the Council	Recommendation
(a) Actions had not been taken to transfer the ownership of 06 vehicles and 16 lands used by the council to the name of the council.	Action will be taken to get the documents from the offices which have already provided us.	Steps should be taken to transfer the ownership of the assets to the name of the council.
(b) Action had not been taken by the council to rent out the 12 shops owned by the council till the end of the review year.	Although the tender was sought to rent out 12 shops belonging to the council, anyone not applied.	Actions should be taken to earn income by rented out promptly

3.3 Human Resource management

Audit Observation	Comment of the Council	Recommendation
The Sabha had not taken appropriate measures to recover the outstanding loan balance amounting to Rs.144,000 from 14 officers in the reviewed year from those persons or guarantors due to reasons such as death, retirement and transfer.	Action will be taken to recover the said loan amount from the officers or guarantors.	Steps should be taken to recover the loan balance from the appropriate persons or the guarantor as soon as possible.

4. Accountability and Good Governance

4.1 Environmental Issues

Audit Observation	Comment of the Council	Recommendation
Action had not been taken to renew the environmental lisenche for the solid waste management centre, and slaughter house used by the council.	Action will be taken to renew the environmental lisenche for the solid waste management centre, and slaughter house	Arrangements should be made to renew environmental lisenche.