

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Valikamam West Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Balance Sheet as at 31 December 2024, 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 the 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 2024, 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 Practices, 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 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.

- (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 Sabha	Recommendation
(a) The value of 54 lands owned by the Sabha had not been assessed and accounted for by the end of the year under review.	Action will be taken to disclose this in the final accounts for the year 2025.	Accounting must be done correctly.
(b) The estimated cost of 07 in completed construction works totalling Rs.12,092,572 had been recorded as creditors.	Due to the shortage of sand and rain, the work was extended.	-Do-
(c) Equipment and machinery of Rs.13,226,959 had been stated as Rs.13,700,499 in the financial statements.	The change in the schedule was caused by a typing error on the computer.	Financial statements must be prepared accurately.
(d) Solar energy electricity sales revenue of Rs.172,679 and the Sabha's office electricity expenses of Rs.90,428 had not been disclosed in the financial statements.	It will be disclosed in the financial statements in the next financial year.	-Do-

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
The audit could not be satisfactorily observed due to the failure to submit documents, schedules and age analyses related to the outstanding assessments amounting to Rs.9,243,628 as on 31 December of the year under review.	Action will be taken to implement it in the future..	Documents, schedules and age analyses should be prepared and submitted to the audit.

1.7 Non-compliances

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a) 571(1), (2) and (3) of Financial Regulations of the Democratic	Steps had not been taken to settle 24 overdue deposits	Action will be taken.	Action should be taken as per

Socialist Republic of Sri Lanka of Rs.1,898,650 that were more than 02 years.

Financial Regulation.

- (b) Section 11 of Part I of the Gazette Extraordinary No. 2235/54 dated 08 July 2021 of the Urban Development Authority of the Democratic Socialist Republic of Sri Lanka
- Steps had not been taken to recover extension fees amounting to Rs.1,685,000 for buildings that had not obtained certificates of conformity.
- Steps are being taken to charge fees for extending the time.
- Action should be taken to recover fees for extension of time in accordance with 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 2024 amounted to Rs.77,176,381 as compared with the excess of revenue over recurrent expenditure amounted to Rs.53,636,103 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

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 Income	2024				2023			
	Revenue Estimated	Billed Revenue	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	11,814,782	29,350,589	20,106,961	9,243,628	10,456,472	28,912,333	11,119,925	17,792,408
Rent	30,077,745	30,364,683	30,342,183	22,500	20,597,435	21,592,410	21,607,922	(15,512)
License Fees	2,879,800	3,841,185	3,835,185	6,000	2,075,800	3,011,706	3,004,706	7,000
Other Revenue	74,323,568	90,873,120	86,499,936	4,373,184	56,504,650	81,513,915	75,675,755	5,838,160
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Total	119,095,895	154,429,577	140,784,265	13,645,312	89,634,357	135,030,364	111,408,308	23,622,056
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2.2.2 Performance in Revenue Collection

Audit Observation
Although assessment tax billed for private property such as houses, shops and land, etc. was Rs.11,558,181 Out of

Comments of the Sabha
That efforts are being made to recover the outstanding money.

Recommendation
Appropriate action should be taken to

this, Rs.6,735,553 could be charged. Also, out of the arrears of assessments and taxes of Rs.17,792,408 at the beginning of the year under review, Rs.10,096,976 had been collected during the year and the remaining amount was in the range of 05 to 10 years.

recover the outstanding balances without delay.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The balance of Rs.224,142,697 in fixed deposits during the year under review had been deposited with the bank for the purpose of earning interest income, without being utilized in development activities related to public utility services as specified under Section 108, Chapter IV of the Pradeshiya Sabha Act No. 15 of 1987.	It is expected that this will be utilized in the coming financial years.	Steps should be taken to develop public utility services in accordance with the provisions of the Act.
(b)	The funds of Rs. 9,700,000 transferred from the revenue surplus of the year under review to the Capital Development Reserve had not been utilized for appropriate purposes even by the end of the year under review.	Steps will be taken to utilize the capital for development activities.	Steps should be taken to utilize capital development funds for development activities and complete them within the specified time frame.
(c)	Action had not been taken for over 8 years to settle the amount of Rs.498,480 that was owed to a contractor.	Due to lack of funds, arrears remain unresolved.	The amount due should be paid promptly and settled.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
Although a Certificate of Conformity (COC) should be issued to confirm whether buildings have been constructed in accordance with Section 15(1) of the Housing Construction and Urban Development Ordinance No. 15 of 1915, Certificates of Conformity had not been issued for 109 development licenses granted for building construction by the end of the year under review.	The relevant parties have been informed to obtain Certificate of Conformity and steps are being taken to rectify this situation.	Steps should be taken to issue a Certificate of Conformity.

3.3 Assets Management

Audit Observation

Steps had not been taken to vested the lands on which 18 cemeteries currently in use by the Council were located by the end of the year under review.

Comments of the Sabha

Action will be taken to acquire land.

Recommendation

The process of acquiring ownership of assets should be expedited.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

Due to the fact that there were variations from 13 percent to 33 percent in 05 revenue items, from 20 percent to 53 percent in 03 expenditure items and 07 percent in one capital expenditure items when comparing the estimated revenue and expenditure with the actual revenue and expenditure according to the budget prepared for the year under review, the budget had not been used as an effective management control tool.

Comments of the Sabha

The fluctuations were due to unexpected income and high expenses.

Recommendation

The budget should be carefully prepared by identifying needs and using it as an effective management control tool.