

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Vavuniya South Sinhala 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 Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and Sub-section 10 (1) of the 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 Vavuniya South Sinhala 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 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 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 Scope of Audit (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 skepticism 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)	Court fines receivable amounting to Rs.8,715,232 for the period from October 2023 to 31 December 2024 had not been shown in the financial statements.	Agree.	All income should be included and accounts should be prepared correctly.
(b)	Due to the deduction of 2 working capital items of Rs.8,449,034 that should have been added in the preparation of the cash flow statement, the impact of working capital had decreased by Rs.8,449,034.	-Do-	Cash flow statements should be prepared accurately.
(c)	The cash and bank balance as at 31 December of the year under review was overstated by Rs.7,662,587 in the cash flow statement.	-Do-	-Do-
(d)	33 items of fixed assets purchased by the Sabha for Rs.1,200,177 in the previous year had not been accounted for.	-Do-	All assets should be accurately included in the financial statements.
(e)	Recurrent expenses of Rs.1,146,900 incurred during the year under review had been debited to the Furniture and fittings account.	-Do-	Expenses should be properly classified and accounted for.

1.7 Non-compliance

1.7.1 Non-compliances with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Comments of the Council	Recommendation
Treasury Secretary's Public Finance Circular 01/2020 dated 28 August 2020.	The settlement of 10 ad-hoc sub imprests payments of Rs.478,300 given in 2024 had been delayed for a period of between 20 days and 05 months from the date of completion of the work, and an advance exceeding Rs.100,000 had been given on one occasion.	Will be corrected it in the future.	Action should be taken in accordance with the relevant circular.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of income over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs.10,296,338 compared to the excess of income over recurrent expenditure amounted to Rs.4,584,625 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	2024				2023			
	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.
Rent	2,260,000	5,527,111	3,955,593	1,571,518	1,686,210	4,011,612	2,206,379	1,805,233
License Fee	2,023,500	2,484,100	2,484,100	-	2,701,500	1,681,940	1,681,940	-
Other Revenue	1,479,000	1,811,188	1,811,188	-	1,327,000	1,791,724	1,791,724	-
Total	5,762,500	9,822,399	8,250,881	1,571,518	5,714,710	7,485,276	5,680,043	1,805,233

2.2.2 Performance in Collecting Revenue

Audit Observation	Comments of the Council	Recommendation
The total receivables of shop lease, shop rent and machinery and vehicle rent was amounted to Rs.10,152,250, and those balances were outstanding for a period of between 01 and 08 years, and the stamp duty payable as at 31 December of the year under review was amounted to Rs. 980,950.	That the efforts are being made to recover.	Appropriate steps should be taken to recover the arrears of rent.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) A sum of Rs.12,515,693 collected by the Sabha had been invested in fixed deposits as at 31 December of the year under review without fulfilling the main function of a Pradeshiya Sabha that required performing in terms of Section 3 of the Pradeshiya Sabha Act No. 15 of 1987.	I would like to inform you that the amount of Rs. 768,554.00 is an allocation for the valuation of Pradeshiya Sabha lands and the amount of Rs. 11,747,139.00 is old fixed deposits.	The funds of the Sabha should be used to achieve the objectives set out in Section 3 of the Act.
(b) The Pradeshiya Sabha used funds of Rs.7,938,350 from the Regional Development Assistance Project to purchase unnecessary machines such as a laminator machine, Canon camera, ink tank wireless printer, field cash collection machine, plastic crushing machine, electricity generator, multi-chopper machine, etc., which were lying idle.	Efforts are being made to utilize the relevant equipment.	Efforts should be made to fully utilize the relevant assets.
(c) A grinding machine purchased at a cost of Rs. 2,843,210 during the year under review remained idle.	The grinding machine had been purchased as per a council decision, and currently, due to opposition from a group of villagers, the oil mill has not been able to operate.	Steps should be taken to resolve the relevant issues and make the machine operational as soon as possible.

(d)	02 business premises located in Irattaperiyakulam had been leased for a period of 99 years without obtaining the prior approval of the Minister in accordance with Section 19(xii) of the Pradeshiya Sabha Act No. 15 of 1987.	That the relevant shops have been given on a lease basis for 99 years based on Circular No. 1980/46.	Actions should be taken in accordance with the provisions of the Pradeshiya Sabha Act.
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3.2 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
No steps had been taken to identify, document and take legal action against unauthorized constructions, and although a Certificate of Compliance (COC) should be issued for approved constructions within 03 years, no steps had been taken to do so.	I will prepare a program in the future.	Unauthorized constructions should be identified and necessary actions should be taken, and Compliance certificates should be issued for approved constructions.

3.3 Assets Management

Audit Observation	Comments of the Council	Recommendation
(a) The Pradeshiya Sabha had not taken steps to dispose of 05 vehicles that had been out of use for 05 to 10 years.	I would like to inform you that necessary steps will be taken in the future.	Action should be taken in accordance with the relevant circular regarding vehicles that have been removed from use.
(b) The Sabha had not properly acquired 74 lands, 151 tube wells and 08 vehicles owned by the Sabha as at 31 December of the year under review.	Necessary steps will be taken in the future.	Relevant acquisitions should be carried out.
(c) Six vehicles belonging to the Sabha had not been used for a period of between 04 and 08 years.	These vehicles will cost a lot of money to repair, and efforts are being made to obtain funds through the LDSP project.	Steps should be taken to repair or dispose of the relevant vehicles.
(d) 17 GPS devices purchased for Rs.474,300 during the year under review had not been used for the relevant purpose as at the audit date of 19 March 2025.	I would like to inform you that GPS devices are being installing in the relevant vehicles.	The relevant equipment should be used promptly for the relevant task.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

When comparing the estimated income and expenditure with the actual income and expenditure as per the budget prepared for the year under review, there were variations ranging from 23 percent to 64 percent in 04 income objects and from 20 percent to 42 percent in 04 expenditure objects, therefore, the budget had not been used as an effective management control tool.

Comments of the Council

Previously, there was no income inspector, and this has happened because a new income inspector has been appointed and because vehicle income has increased.

Recommendation

Needs should be identified and the budget carefully prepared.

4.2 Environmental Issues

Audit Observation

There were 23 institutions in 13 Grama Niladhari Divisions within the Pradeshiya Sabha area that required environmental permits, and the council had not taken steps to inform them and issue environmental permits.

Comments of the Council

Action will be taken to issue the environmental permit in the future.

Recommendation

The relevant institutions should be informed and steps should be taken to issue environmental permits.