

Vavuniya South Tamil Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Vavuniya South Tamil 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 Tamil 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) The estimated cost of Rs.1,122,550 relating to 03 unfinished constructions had been accounted for as creditors.	That the bills for the final payment had not been submitted.	Accounts should be prepared correctly.
(b) Hyum pipes and Hyum collars etc stock as at end of the year under review amounting to Rs.1,237,500, purchased for road repair work, had been identified as tar roads.	Steps will be taken to include in the stores advances in the account in the future.	Accounts should be prepared correctly.
(c) 02 machines costing Rs. 1,000,0000 had been accounted for as vehicles.	Steps have been taken to include it in the financial statements for the year 2025.	-Do-

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
A difference of Rs. 14,510,388 had been observed between the balance as per the financial statements and the corresponding balances in the schedules in respect of 02 Objects.	Action is being taken to correct the difference.	Steps should be taken to reconcile the balances in the financial statements with the relevant source documents.

1.7 Non-compliance

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

	Reference to Laws, Rules, and Regulations	Non-compliance	Comments of the Council	Recommendation
(a)	Section 134 of the Pradeshiya Sabha Councils Act, No.15 of 1987	The Sabha had not distributed “Form K” for 2,406 properties out of 9,622 properties during the year under review subject to property tax.	The property buyers refused to accept the K form because their names were not available.	Action should be taken in accordance with the provisions of the Act.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka 571(1), (2) and (3)	The Sabha had not taken steps to return it to the relevant person or transfer it to revenue regarding a deposit of Rs.322,710 that had expired for more than 02 years,.	This amount was not transferred to revenue due to the fact that the investigations were not completed.	Action should be taken in accordance with the Financial Regulations.

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.38,189,433 compared to the excess of income over recurrent expenditure amounted to Rs.22,556,545 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.
Rates and Taxes	3,651,220	9,390,162	3,130,855	6,259,307	3,276,120	4,345,583	2,139,138	2,206,445
Rent	3,837,160	32,449,057	32,423,942	25,115	2,741,500	4,305,034	3,860,402	444,632
License Fee	2,684,200	3,014,460	3,014,460	-	2,298,500	3,168,960	3,168,960	-
Other Revenue	<u>11,785,800</u>	<u>34,218,445</u>	<u>33,468,711</u>	<u>749,734</u>	<u>9,921,400</u>	<u>22,000,638</u>	<u>9,234,945</u>	<u>12,765,693</u>
	<u>21,958,380</u>	<u>79,072,124</u>	<u>72,037,968</u>	<u>7,034,156</u>	<u>18,237,520</u>	<u>33,820,215</u>	<u>18,403,445</u>	<u>15,416,770</u>

2.2.2 Performance in Collecting Revenue

Audit Observation

The outstanding rates and tax balance as at the end of the year under review was Rs.6,259,307, of which Rs.5,220,333 was rates and tax for the period from 01 to 05 years and Rs.423,749 was more than 05 years old.

Comments of the Council

Since there is only one Revenue Inspector, it is not possible to expedite the collection of arrears of rates and taxes relating to previous periods.

Recommendation

Appropriate action should be taken to promptly recover outstanding amounts.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation

The balance of Rs.52,211,337 available in fixed deposits during the year under review had not been utilized for development activities related to public utility services as mentioned in Section 108 of Chapter IV of the Pradeshiya Sabha Act No. 15 of 1987 and had been deposited with the bank for the purpose of earning interest income.

Comments of the Council

It was deposited in case of an unexpected disaster and for certain specific needs.

Recommendation

Steps should be taken to implement development activities related to public utility services in accordance with the Pradeshiya Sabha Act.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
Although, in accordance with Section 15(1) of the Housing Construction and Urban Development Ordinance No. 15 of 1915, a Certificate of Compliance (COC) should be issued to verify whether the buildings have been constructed in accordance with the provisions of the Act, certificates of compliance had not been issued for 169 development permits issued for the construction of buildings by the end of the year under review.	Steps will be taken to issue certificates of compliance in the future.	Steps should be taken to issue the certificates of compliance.

3.3 Assets Management

Audit Observation	Comments of the Council	Recommendation
(a) Three vehicles, which were in a repairable condition and could be used, had been lying idle in the vehicle yard for between 4 and 9 years.	That the arrangements will be made to sell it in the near future.	Assets should not be left unused.
(b) No steps had been taken to acquire the ownership of 04 vehicles, 25 cemeteries and 57 lands that were used by the Sabha but were not owned by the Sabha.	That the steps have been taken to take over to the Sabha.	Ownership of assets must be cleared.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
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 12 percent to 745	Action will be taken in the future.	Needs should be identified and the budget carefully prepared.

percent in 06 income objects and from 12 percent to 92 percent in 05 expenditure objects, therefore, the budget had not been used as an effective management control tool.

4.2 Environmental Issues

Audit Observation	Comments of the Council	Recommendation
Environmental protection permits had not been obtained for the Pampaimadu site selected for the incineration/disposal of distributed waste materials in accordance with Section 23 (b) of the National Environment Act No. 47 of 1980. Furthermore, non-biodegradable waste that cannot be produced from waste cannot be disposed of in an open place, and recyclable materials should be separated and sent to the recycling process as much as possible, but the Sabha had not taken action for this and had instead resorted to burning in a manner that was damaging to the environment.	That the processes related to the recycling process will be carried out in the future.	Steps should be taken regarding waste management as per the provisions of the Act.