

## Vavuniya Municipal Council - 2024

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### 1. Financial Statements

#### 1.1 Qualified Opinion

The audit of the financial statements of Vavuniya Municipal Council including the balance sheet as at 31 December 2024 comprising the income and expenditure account, cash flow statement, statement of changes in equity and material accounting policy information, for the period of ended 31 December 2024 was 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 Sections 219 and 220 of the Municipal Councils Ordinance (Chapter 252) and National Audit Act No. 19 of 2018 and the provisions of the Municipal Councils Ordinance (Chapter 252). 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 District Secretariat of Vavuniya as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### 1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer 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 Municipal Council's financial reporting process

As per Sub 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.

### **1.3 Audit Scope (Auditor's Responsibilities for the Audit of the 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 summary 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 and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- Evaluated 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 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 Municipal Council and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources of the Council's had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Audit observations regarding the preparation of financial statements

### 1.5.1 Accounting deficiencies

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) 18 projects worth Rs. 16,731,474 were not completed for the year ended 31 December 2024, but due to the preparation of payment vouchers based on estimates, agreements and decisions and inclusion in the accounts of various creditors, the current liabilities had been overstated by that value in the year under review.	Of the amount transferred to the Miscellaneous Creditors Account, a payment of Rs. 16,378,952.84 was made by March 2025. After that, the remaining balance in the Miscellaneous Creditors Account was Rs. 352,520. It is scheduled to be transferred to the Consolidated Fund through the final account for the year 2025.	Actual liabilities related to work certified during the period should be disclosed.
(b) During the year under review, the total repair costs of 13 small roads owned by the council amounting to Rs. 2,493,099 had been recorded as new road constructions, resulting in the overstatement of the value of the assets by this amount.	The cost of gravelling and renovation of 13 roads has been accounted as capital expenditure at Rs. 2,493,099.	Maintenance should be accounted under recurrent expenditure.
(c) During the year under review, stamp duty receipts of Rs. 2,439,255 had been recognised as capital grants in the Income and Expense Account.	It was mistakenly stated as capital income.	Income should be disclosed under the correct classification.
(d) The revenue surplus had been overstated by not including audit fees estimated for the last two years in the financial statements.	When the audit fees for previous years were received, an amount of Rs. 4 million has been allocated in the budget for the year 2026 to make the payment.	Allocations for expenses should be made within the relevant periods.

### 1.5.2 Lack of documentary evidence for audit

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Land deeds and plans for 26 lands listed in the fixed assets register had not been submitted to the audit.	The Municipal Council will take actions to obtain acquisition orders for 26 lands in extent of 16.17 hectares.	Documentary evidence should be maintained to confirm the existence of fixed assets.

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| (b) | The general ledger and general journal entries had not been submitted for audit to verify the total value of assets and liabilities as stated in the financial statements as at 31 December 2024, amounting to Rs. 2,235,521,560. | Actions have been taken to maintain the general ledger and general journal entries in the future. | Appropriate documentary evidence should be submitted for the audit. |
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**1.5.3 Unreconciled control accounts or reports**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) There was a difference of Rs.50,000,000 between the balance in the notes to the balance sheet and the balance in the statement of changes in equity in respect of 02 items.	An error in the notes to the balance sheet has resulted in an overstatement of financial provisions by Rs. 25 million and an understatement of development provisions.	A comparison of account balances should be made and presented so that there are no discrepancies.
(b) The surplus as per the Income and Expense Account for the year ended 31 December 2024 was Rs.6,470,175 but due to the transfer of Rs. 8,405,963 to the Consolidated Fund, there was a difference of Rs. 1,935,788.	As at 31 December 2024, the accumulated funds have been adjusted to reflect the balance in the statement of changes in entitlements.	The surplus arising from the income and expense account for the period should be accounted correctly.

**1.6 Non-compliance**

**1.6.1 Non-compliances with Laws, Rules, and Regulations, etc.**

<b>Reference to laws, rules, regulations, etc.</b>	<b>Value Rs.</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) <b>Municipal Councils Ordinance. (Chapter 252)</b>				
(i) <b>Section 155</b>	-	Actions had not been taken to assess and collect the rent charged for 81 shops owned by the council and the rent charged for 95 lands on time.	The letter dated 12 September 2025, has been resented due to non-receipt of assessed values from the Valuation Department.	Actions should be taken as per the provisions of the Act.

(ii) Section 252	32,707,191	The council had not taken any action to issue written notices to property owners who had not paid their assessment taxes and collect the money due or seize the property.	As stated in the accounts for the year ended 31 December 2024, an outstanding amount of Rs. 8,244,934 out of the outstanding sum of Rs. 32,707,191 has been recovered as at 30 November 2025.	- Do -
(b) Special Provisions on Local Government Institutions, No. 48 of 1971	-	Although the immovable properties within the jurisdiction of the Municipal Council should be assessed once every 5 years for the purpose of levying assessment tax, property tax was levied on 15,340 property units based on the assessment of the year 2009.	Assessment taxes will be levied based on new assessed values from 2025.	Actions should be taken to comply with Special provisions.
(c) Public Administration Circular No. 26/92 dated 19 August 1992	-	Arrangements had not been made to display the state emblem on vehicles belonging to the Municipal Council.	Arrangements have already been made to display the state emblem on 10 vehicles by now.	Actions should be taken in accordance with the circular.
(d) Section 02(a) of Treasury Secretary Circular No. 01/2018 dated 19 March 2018	-	The Municipal Council had not taken actions to remove 10 unroadworthy vehicles that had not been in use for more than 5 to 10 years.	Actions are being taken to assess the prices for re-auctioning and selling as spare parts currently. .	- Do -

## 2. Financial Review

### 2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2024 amounted to Rs. 82,584,388 as against the excess of revenue over recurrent expenditure amounted to Rs. 59,851,921 in the preceding year.

## 2.2 Revenue Administration

### 2.2.1 Estimated revenues, billed revenues, collected revenues and outstanding revenues

The information on estimated revenues, billed revenues, collected revenues and outstanding revenues for the year under review and the preceding year is as follows.

Source of income	2024				2023			
	Estimated revenue	Billed revenue	Collected revenue	Total Arrears as at 31 December	Estimated revenue	Billed revenue	Collected revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assessment & taxes	23,762,042	23,915,922	25,291,496	32,707,191	-	14,343,642	14,343,642	34,082,765
Rents	46,470,285	57,970,236	53,896,114	9,248,506	-	35,747,063	35,977,491	5,174,384
License charges	3,030,000	3,327,473	3,327,473	-	-	1,118,150	1,118,150	-
Other income	79,815,500	99,493,830	99,236,230	778,760	-	81,204,237	81,204,237	521,160

The estimated income mentioned above was prepared pertaining to the Urban Council and the income had not been estimated pertaining to the Municipal Council.

### 2.2.2 Performance in collectiong Revenue

Audit Observation	Comments of the Management	Recommendation
<p>(a) <b>Assessment Taxes</b> As at the end of the year under review, there was arrears of assessment tax of Rs. 32,707,191, out of which Rs. 22,336,368 was arrears of assessment tax for a period of 02 to 10 years.</p>	<p>Actions are being taken to issue red notices regarding the collection of arrears.</p>	<p>Actions should be taken to recover the outstanding balance.</p>
<p>(b) <b>Rents</b></p> <p>(i) The Council had not taken actions to recover the arrears of Rs. 4,862,119 due from the tenants regarding the rental of shops and vehicles belonging to the Vavuniya Municipal Council even by the end of the year under review.</p>	<p>Red notices will be issued and collected for outstanding shop rents.</p>	<p>- Do -</p>

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| (ii)                       | The arrears of land taxes amounted to Rs. 2,157,164 as of the last day of the year under review, of which Rs. 1,309,097 had been arrears for a period of between 2 and 20 years and the Council had not taken actions to collect that amount.   | Out of the arrears of Rs. 1,323,809 as at 31 December 2024, a sum of Rs.49,214 has been collected as at 31 December 2025.  | - Do -   |
| (iii)                      | Although lessees construct and use permanent buildings on the lands given for lease, only the values of the lands were assessed and the tax rates had been determined based on that until now without taking into account the values of the buildings.  | A committee will be appointed to take further action regarding the unauthorized construction of 95 properties provided by the council.                                       | Actions should be taken to recover the revenue by completing the deficiencies. |
| <b>(c) License charges</b> |   |  |  |
| (i)                        | Trade license fees had been included in the budget for the year under review without conducting a formal survey of trade licenses in accordance with Section 247(a) of the Municipal Councils Ordinance and therefore, legal action had not been taken against places carrying out business activities without licenses in accordance with Section 247(6)4 of the Municipal Councils Ordinance. | It is planned that attention will be paid to relevant matters from 2026 and further action will be taken to prosecute those who operate without obtaining trade licenses.    | Actions should be taken as per the provisions of the Act.                      |
| (ii)                       | As per Section 267 of the Municipal Councils Ordinance, the advertisement fees for the year under review had been assessed without following a formal procedure for issuing licenses for advertising billboards and the fees collected from issuing licenses for 133 billboards in the year under review were higher than the estimated income.   | It is planned that attention will be paid to the relevant issues from 2026 and further action will be taken to prosecute those who operate without obtaining trade licenses. | - Do -   |

### 3. Operational Review

#### 3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although the signed agreements should be renewed and extended every 5 years in accordance with the letter No. L/D/VA/05/1999 dated 11 October 1999 of the Assistant Commissioner of Local Government titled "Transfer of Property", contrary to the above agreements, the agreements for 253 shops and 87 lands had not been renewed.	Data will be submitted regarding the current condition of the shops rented on a long-term basis and further action will be taken.	Lease agreements should be renewed once in every 5 years.
(b) The balance of Rs. 228,317,910 held in fixed deposits as at the end of the year under review had been deposited in the bank by the Council for the purpose of earning interest income without being utilized for development works for public utility services.	All relevant deposits have been deposited in the fixed deposit account for specific purposes. Therefore, it has been decided to carry out the necessary development activities in the future when the relevant specific needs arise.	Necessary actions should be taken to utilize the surplus funds for the purposeful work of the council.
(c) Although a period of 5 to more than 10 years had passed since the lease period expired, action had not been taken in accordance with Section 6.1 of Chapter XIX of the Establishments Code regarding 4 official residences used by four officers.	It has been decided to recommend the relevant official residences to the Council for taking over by giving a period of time until 31 December 2025 for the non-scheduled officers currently living in the relevant houses and to submit it to the Council meeting to be held and take further action.	The provisions of the Establishments Code should be followed.
(d) Out of 11,484 properties subject to assessment tax by the Council in the year under review, Form K had not been submitted for 1,276 properties.	The notices have not been distributed as there is a difference between the names of the current residents and the names on the K form	Arrangements should be made to issue K forms.
(e) The arrears of inn rent of Rs. 2,229,222, which were to be recovered in terms of the Extraordinary Gazette of the Democratic Socialist Republic of Sri	The Urban Development Authority had continuously sent letters to the Urban Development Authority requesting payment of	The outstanding rent should be collected expeditiously.

Lanka No. 1589/20 dated 19 February 2009, remained uncollected.

the outstanding amount of Rs. 2,229,222 for the period from August 2019 to 31 December 2022.

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| (f) | Although the Vavuniyakulam Tourist Center, which was built in 2018 at a cost of Rs. 7,230,939 with the aim of developing the tourism sector, had been leased to an individual, the lessee had not opened it for public use for over 06 years and had defaulted on rent payments. | After receiving the verdict, It is decided regarding the use of the relevant tourist center in accordance with the verdict. | Legal proceedings should be successfully concluded and the arrears of revenue should be recovered. |
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### 3.2 Operational inefficiencies

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Action had not been taken in accordance with Section 42A of the Municipal Council Ordinance regarding 95 permanent buildings constructed without the prior approval of the Council and in contravention of the Urban Development Authority Ordinance as per Section 04 of the Lease Agreement for vacant lands.	A committee will be appointed to take further action regarding the constructions that have been built without permission on 95 properties provided by the Municipal Council.	Appropriate actions should be taken as per the provisions of the Act.
(b) Although, as per Clause 4 of the lease agreement for the shops, the tenants cannot transfer ownership of the relevant building to other persons or sublet it without the prior approval of the council, the tenants had given 128 shops belonging to the council to third parties in violation of the agreement.	Data will be presented regarding the current condition of the shops provided on a long-term rental basis and further action will be taken.	- Do -
(c) Although a person arbitrarily occupied 7 perches of land belonging to the Municipal Council and ran a factory, effective action had not been taken against that person to recover it.	Request letters for the acquisition of the relevant land by the Municipal Council have been sent to the Divisional Secretary.	Necessary actions should be taken to prevent the misuse of property owned by the Municipal Council.
(d) There was no proper program to identify unauthorized constructions and such constructions had been identified	Attention will be paid to the relevant issue and an appropriate program will be	Actions should be taken to maintain a record in respect of

only based on complaints from the public. Also, records had not been maintained regarding unauthorized constructions.

implemented to identify unauthorized constructions in the future.

unauthorized constructions and appropriate action should be taken against them.

(e) Certificates of conformity had not been issued for 58 development permits issued for the construction of buildings during the year under review.

It has been decided to inform residents who have not obtained the certificates of residence since 2026.

Certificates of conformity should be issued after the relevant inspection.

### 3.3 Asset Management

#### Audit Observation

3.4

Actions had not been taken to repair and reuse 02 tractors, 11 trailers, 03 tippers, 04 gully bowsers, a backhoe loader and a two-wheeled tractor, which were in a repairable condition.

#### Comments of the Management

The council has taken actions regarding the operation of the relevant vehicles.

#### Recommendation

Actions should be taken to make repairs and utilize assets.

### Environmental Issues

#### Audit Observation

(a) Although one of the main functions of the Municipal Councils is the waste management process, the Municipal Council had not prepared a long-term plan for it and measures had not been taken to prevent damage to the surrounding environment of another Pradeshiya Sabha due to the dumping and burning of all waste collected within the jurisdiction of the Municipal Council in the open area of Pambeimadu, which falls under the jurisdiction of the Vavuniya South Tamil Pradeshiya Sabha.

#### Comments of the Management

It is apparent that the construction of a fence around the premises belonging to the Vavuniya South Tamil Pradeshiya Sabha area has been unsuccessful. However, the guards on duty here have been informed about this matter and instructions have been given to carry out surveillance activities that can prevent such activities. Further, daily employee distribution/participation, land selection and operational activities are being carried out for the waste management process.

#### Recommendation

Waste management activities should be carried out in a way that does not harm the environment.

(b) Actions had not been taken to ensure the use of protective clothing and footwear for 43 health workers engaged

The relevant employees have been continuously informed to

Instructions should be provided to carry out the waste

in the council's solid waste operations. Also, the Municipal Council had not conducted annual medical examinations for these workers.

use these safety vests during duty hours.

handling process in a health and safety manner and workers should be directed for regular medical check-ups.