

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Porathivu Pattu 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 provisions of the National Audit Act No. 19 of 2018 and the Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987. 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 accompanying financial statements give a true and fair view of the financial position of the Porathivu Pattu 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

My opinion is qualified 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 and Regulatory Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the 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 recommendations made by me in the previous year as per the requirement of Section 06 (1) d (iv) of the Audit Act No. 19 of 2018.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observations	Comments of the Council	Recommendations
(a) The closing stock balance a sum of Rs. 1,971,455 for the year under review, had not been shown as an asset in the financial statements.	Action will be taken in this regard in the future.	Action should be taken to show the closing stock balance as assets in the accounts.
(b) Fixed deposits interest income a sum of Rs. 121,469 for the year under review, had not been shown as interest income in the financial statements.	- Do -.	Action should be taken to show as receivable interest income in the financial statements.
(c) A sum of Rs. 621,558 employee loan balance, had not been shown in the financial statements.	- Do -.	Action should be taken to show the receivable income for the year, as assets in the financial statements.

1.6.2 Documentary evidenced not made available for Audit

Audit Observation	Comment of the Council	Recommendation
As at 31 December of the year under review, fixed asset registers, title deeds and schedules of 04 account balances amount of Rs. 59,625,995 had not been submitted to the audit.	Action will be taken in future year.	Action should be taken to obtain written evidence of assets and maintain the register.

1.7 Non- Compliances

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

	Reference to Laws, Rules Regulations etc.	Non-compliances	Comments of the Council	Recommendations
(a)	No.5 (xii) of the Pradeshiya Sabhas (Finance and Administration) Rules of the 1988 year.	Action had not been taken to obtain security deposits from officers, who are responsible for dealing with cash, stores, income collection and cheques.	- Do -	As per the Finance and Administration Rules of the Pradeshiya Sabha, action should be taken to obtain the security deposit.
(b)	Public Administration Circular No. 09/2009 and Public Administration Circular Letter 03/2017(L)	28 no. of Council's staffs had not confirmed their arrival and departure by using the finger print scanner.	- Do -	Action should be taken to confirm the arrival and departure of the staffs by using the finger print scanner.

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. 12,762,678 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 11,206,294 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 presented by the chairman, the details 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		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.)
i.	Rates and Taxes	1,525,000	-	-	-	1,500,000	-	-	-
ii.	Rent Income	1,627,600	982,867	1,120,000	753,419	349,700	2,280,752	1,390,200	890,552
iii.	License Fees	1,298,000	1,581,405	1,581,405	-	1,860,000	1,504,435	1,504,435	-
iv.	Other revenue	36,410,000	13,761,586.	10,640,284	5,027,161	25,375,000	11,925,773	10,019,913	1,905,860
Total		<u>40,860,600</u>	<u>16,325,858</u>	<u>13,341,689</u>	<u>5,780,580</u>	<u>29,084,700</u>	<u>15,710,960</u>	<u>12,914,548</u>	<u>2,796,412</u>

2.2.2 Revenue Collection Performances

Audit Observations	Comments of the Council	Recommendations
(a) As per the gazette notification No. 1826 dated 31st August 2013, 12 Grama Niladhari Divisions had been declared as developed areas. However, action had not been taken for valuation of the assets over 10 years.	Action will be taken in this regard in the future year.	Action should be taken to assess the properties and to quickly collect the rate tax.
(b) Council had not taken action to recover the lease from Council's public market a sum of Rs. 172,500 and the lease rent a sum of Rs. 208,919 from the Periyaporathivu and Palaiyadiwattai public markets.	- Do -	Action should be taken to recover the lease and rent arrears.

3. Operational Review

3.1 Management inefficiencies

Audit Observations	Comments of the Council	Recommendations
(a) In terms of the section 10 of the Right to Information Act No. 12 of 2016, Council had not submitted an annual report to the Commission of Right to Information during the period from 2017 to 2024 year.	Action will be taken in this regard, in future year.	Action should be taken to submit the annual reports to the Commission.
(b) In terms of section 219(1) of the Pradeshiya Sabha Act No. 15 of 1987, the Public Health Inspector cannot prepare the plans for building.	- Do -	As per the act, no any employees shall whether directly or indirectly be concerned of have any

However, Public Health Inspector, who working in Council, had prepared the plans for 217 building applications, Contrary to the act.

financial interest in work.

3.2 Operational inefficiency

Audit Observation	Comment of the Council	Recommendation
Council had not taken any action to establish the community centers in 05 out of the 43 Grama Niladhari Divisions, within the administrative area of the Council.	- Do-	Action should be taken to establish the community centers.

3.3 Underutilized Property

Audit Observation	Comment of the Council	Recommendation
Multi Chopper and the Rotating Strainer Machines at a cost of Rs. 1,082, 500 had been purchased for solid waste management activities, had not been utilized over two years.	Action will be taken in this regard, in future year.	Action should be taken to utilize the machine for solid waste management.

3.4 Delay in execution of the projects

Audit Observation	Comment of the Council	Recommendation
A sum of Rs.1,183,368 had been deposited on 23 January 2007, under the local government strengthening programme, it had not been utilized until the audit date.	Action will be taken in this regard, in future year.	In the interest of the public, projects should be expedited.

3.5 Resources released to other organizations

Audit Observation	Comment of the Council	Recommendation
If Council fix solar power system with their own funds, they could earn all income. However, Council had missed the opportunity by made an agreement with a private company, to fix at building roof with the term of receiving a 6% to 18% of the income to the Council. It was observed in audit.	Action will be taken in this regard, in future year.	The agreement must be made in the best interest of the public and in accordance with legal provisions.

3.6 Human Resource Management

Audit Observation	Comment of the Council	Recommendation
Council had not taken action to fill 11 vacancies as per the approved cadre by the Department of Management Services.	Action will be taken in this regard, in future year.	Action should be taken to fill up the staff vacancies.

3.7 Management of Vehicle System

Audit Observations	Comments of the Council	Recommendations
(a) Non-ownership assets		
Council had not taken action to transfer the 19 out of 34 vehicles, owned by the other departments.	Action will be taken in this regard, in future year.	Ownership of the vehicle transfer should be carried out quickly.
(b) No Repair and Maintenance		
Action had not been taken to repair 06 vehicles belonging to the Council have been in an unusable condition because of repair, over long year.	- Do -	Action should be taken to repair and use the machineries.
(c) Council's JCB machine had rented out for a private institution in 2023 and it was accidented by driver of the particular institution. However, Council had not identified and taken disciplinary action to responsible persons. Hence, action had not been taken to financial loss, as per the financial regulation 104(2).	- Do -	As per the chapter XLVIII of E-code (Volume II) and financial regulation 104(2), action should be taken.

4. Accountability and Good Governance

4.1 Environmental Observations

Audit Observations	Comments of the Council	Recommendations
(a) No action has been taken to renew the environmental protection license of 09 companies, which are functioning within the area of the Council.	Action will be taken in this regard, in future year.	Action should be taken to renew the environmental protection licenses of industrial enterprises.

(b) Although, a solid waste collection center was established in Vivekananda Puram under the PSDG project in 2021, at a cost of Rs. 456,350, waste had not been collected by the end of the year under review.

- Do -

Action should be taken to collect the wastages.