

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Yakkalamulla Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Statement of financial position as at 31 December 2024, Statement of Financial Operations, changes in net assets, Cash Flow Statement for the year then ended and notes to the financial statements including material accounting policy information was carried out 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 10(1) of the National Audit Act No 19 of 2018, 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 Yakkalamulla 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 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 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 include specific provisions for following requirements.

- 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.
- 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	Comment of the Sabha	Recommendation
(a)	The surplus was overstated by that amount due to the fact that stamp duty income of Rs.15.23 million relating to previous years and court fines of Rs.1.42 million relating to the previous year were accounted as income in the year under review.	Will ensure that such mistakes do not occur in the future.	Should be correctly identified and accounted.
(b)	The general supplies creditors balance was understated by Rs.96,525 due to the recording of the creditors provisions of Rs.107,250 as Rs.10,725 for the year under review.	This mistake will be prevented from happening again.	Should be correctly identified and accounted.
(c)	The expenses incurred for the renovation of the swimming pool belonging to the Sabha and preparation of the crematorium access road of Rs.408,845 and Rs.937,491 respectively had not been capitalized under fixed assets.	Will be corrected in the coming year through journal entries.	Capital expenditures should be capitalized.
(d)	The excess amount of Rs. 465,126 received from the Local Government Department for salaries had not been accounted for as a balance payable.	Accounting will be done through journal entries in the future.	Should be accounted for as a balance payable.

1.6.2 Un reconciled control account

Audit Observation	Comment of the Sabha	Recommendation
As at 31 December of the year under review, there was a difference of Rs.98,029 between the balances relating to 05 accounting items shown in the financial statements and the balances shown in the utility schedules.	The difference will be investigated and corrected.	The reasons for the difference should be identified and corrected.

1.6.3 Documentary evidence not made available for Audit

Audit Observation	Comment of the Sabha	Recommendation
Due to non-submission of schedules and balance supporting documents, 04 accounting items totaling Rs.10.55 million could not be satisfactorily examined.	Some balances have been in existence for more than 5 years and some balances for more than 12 years.	Relevant written evidence must be submitted to the audit to verify the balances related to the accounting items.

1.7 Non-compliances

1.7.1 Non-compliance with Laws, Rules, Regulation and Management Decisions

Non-compliance with laws, rules, regulations and management decisions are shown below.

Reference to Laws, Rules, Regulation	Audit Observation	Comment of the Sabha	Recommendation
Paragraph 02 (iv) of Public Administration Circular No. 09/2009 dated 16 April 2009	Rs. 143,383 had been paid as holiday pay to three officers working in the Sabha without verifying their attendance and departure using the fingerprint machine.	It is difficult to record the arrival and departure of the fingerprint machine at some roadside checkpoints.	Payments should be made based on the time of arrival and departure according to the fingerprint machine.

2. Financial Review

2.1 Financial results

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. 19.31 millions compared with the excess of revenue over recurrent expenditure amounting to Rs. 20.66 million 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 by the Secretary, the estimated revenue, billed revenue, collected revenue and outstanding revenue for the year under review and the previous year are shown below.

		2024				2023			
Source of Revenue		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	2,194,000	2,089,305	2,023,375	669,240	1,335,000	1,698,192	1,584,771	603,310
(ii)	Rent	5,036,600	4,269,046	4,246,896	456,619	6,474,800	6,133,220	6,054,183	434,469
(iii)	License Fees	6,269,700	1,086,906	1,086,906	-	1,671,500	4,227,140	4,227,140	-
(iv)	Other revenue	15,094,300	11,588,164	11,560,600	128,705	12,872,000	9,719,673	10,354,992	101,141
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		28,594,600	19,033,421	18,917,777	1,254,564	22,353,300	21,778,225	22,221,086	1,138,920
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2.2.2 Performance in Revenue Collection

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	Audit Observation	Comment of the Sabha	Recommendation
(a)	Rates and Taxes The outstanding rates and tax income as at 01 January of the year under review was Rs.603,310 and had increased to Rs.669,240 by the end of the year.	Action will be taken to recover the outstanding amounts by informing through letters and telephone calls and by collecting money in the field by revenue inspectors.	A program should be developed promptly to recover outstanding balances without delay and those outstanding balances should be recovered accordingly.
(b)	Rent Due to non-compliance with the provisions of Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987, the arrears of rent income, which were	Action will be taken to write off outstanding balances that have been outstanding for	A program should be developed promptly to recover outstanding balances without delay

Rs.434,469 as at 01 January of the year under review, had increased to Rs.456,619 by the end of the year under review.	more than 10 years and to recover the remaining balances.	and those outstanding balances should be recovered accordingly.
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(c) License Fees

(i) License fees had not been collected from 32 establishments that were required to obtain trade licenses within the Sabha area.	The license will be issued once the deficiencies are resolved.	Action should be taken to promptly rectify the deficiencies in the relevant business establishments and issue licenses.
(ii) Although 85 billboards were identified from which billboard fee income could be collected in the year under review, action had not been taken to collect revenue of Rs.1.03 million from 59 billboards.	An appropriate fee will be charged in 2025.	The income related to the year should be collected without delay.

3. Operational Review

3.1 Asset Management

Audit Observation	Comment of the Sabha	Recommendation
(a) During the period when the meters of 02 vehicles worth Rs.514,906 were out of order, 1577 liters of fuel had been issued for those vehicles as at 31 December 2024 without verifying the distance driven.	Due to the coronavirus pandemic, mileage meters for these vehicles could not be found in the market.	The meters should be restored and fuel should be released according to the running charts.
(b) Three vehicles owned by the Sabha, valued at Rs.15.32 million, were underutilized.	The tram truck and the compactor roller will be used for the Sabha development activities in the future, while the tractor is scheduled to be repaired.	Underutilized assets should be utilized effectively to carry out the functions of the Sabha and repairs should also be carried out promptly.

3.2 Human Resources Management

Audit Observation	Comment of the Sabha	Recommendation
35 officers of the Sabha who had been in service for more than 05 years but were due to be transferred had been employed at the same workplace for a period of between 07 and 26 years.	Transfer requests have been made for some officers but have not been received, and other officers are institutional appointments.	Officers who have served in the Sabha for more than 05 years should be transferred in accordance with the transfer policies.