

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Aththanagalla Pradeshiya Sabha for the year ended 31 December 2024 comprising the Statement of assets and liabilities as at 31 December 2024, Statement of Comprehensive Income, Statement of changes in Net Assets/Equity, 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 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 accompanying financial statements give a true and fair view of the financial position of the Aththanagalla Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

**1.2 Basis for Qualified Opinion**

I expressed qualified opinion regarding the financial statements 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 Sri Lanka Public Sector Accounting Standards for Local Authorities, 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:

- Identified and assess the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed 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.
- Obtained 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.
- Evaluated 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. Non-Compliance with Sri Lanka Public Sector Accounting Standards for Local authorities

Non Compliance with the reference to particular Standard	Comments of the Sabha	Recommendation
(a) In accordance with paragraph 3.32 of Chapter 3 of the Standard, in calculating net cash flow from operating activities, the depreciation value to be adjusted for the surplus of the year under review was Rs. 73,825,481 but it was Rs. 73,811,422 which was Rs. 14,059 less, the loss on disposal of assets was Rs. 126,527 but it was Rs. 250,085, which was Rs. 123,558 more, and the gain on transfer of land was not adjusted by Rs. 8,201,550.	That a revised cash flow statement be prepared and presented.	The cash flow statement should be prepared according to the standard.
(b) In accordance with paragraph 3.29 of Chapter 3 of the Standard, in calculating net cash flow from investing activities, the amount received from land transfer was not adjusted by Rs. 8,311,050, although the interest on fixed deposits was Rs. 4,298,464, it was under-adjusted by Rs. 148,386 to Rs. 4,150,078, and although the purchase of property, plant equipment was Rs. 233,924,000, it was over-adjusted by Rs. 113,894,987 to Rs. 347,818,987.	That a revised cash flow statement be prepared and presented.	The cash flow statement should be prepared according to the standard.

### 1.6.2. Accounting Deficiencies

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
The balance of industrial debtors and the balance of capital grants had been overstated by Rs. 6,697,684.	That step will be taken to correct the errors in the preparation of the 2025 financial statements.	Should be accounted for at the correct value.

### 1.6.3. Unreconciled Control Accounts

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
A difference of Rs. 154,000 was observed between the balance of material suppliers creditors the balance as per the financial statements and the balance as per the corresponding reports.	That will be corrected in the future.	The schedules should be updated and the financial statements should be prepared accordingly. Errors should be corrected.

## 1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions as follows.

	<b>Reference to Laws, Rules Regulations</b>	<b>Non-compliance</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka 571(i)	Deposits worth Rs. 2,877,450 had not been settled.	That will be corrected within 2 months.	Must act in accordance with financial regulations.
(b)	Rule No. 83(ii) on Accounting Matters Relating to the Financial Administration of the Western Province Pradeshiya Sabha, as enacted by the Extraordinary Gazette No. 2155/8 dated 24 December 2019	A separate advance account had not been maintained for employee loans.	That it has been maintained under the control account.	Must act according to the rules.

## 2. Financial Review

### 2.1. Financial Result

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 76,992,178 as compared with the excess of revenue over expenditure amounted to Rs. 72,539,698 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 of the Sabha, information related to the estimated revenue, billed revenue, collected revenue and revenue arrears for the year under review and for the previous year is mentioned below.

Source of Revenue	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.(000)	Rs.(000)	Rs.(000)	Rs.(000)	Rs.(000)	Rs.(000)	Rs.(000)	Rs.(000)
(i) Rates and Taxes	35,071	34,239	31,707	26,785	34,589	35,475	32,386	26,783
(ii) Rent	38,532	32,986	37,238	26,729	40,420	31,810	34,438	31,594
(iii) License fees	2,483	1,889	1,889	-	1,654	1,917	1,917	-
(iv) Other Revenue	173,752	173,761	176,591	13,876	188,315	170,248	157,279	16,998
	249,838	242,875	247,425	67,390	264,978	239,450	226,020	75,375

#### 2.2.2. Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Sabha are given below.

Audit Observation	Comments of the Sabha	Recommendation
<p>(a) <b>Rates</b></p> <p>The outstanding rates balance as at the end of the year under review was Rs. 26,714,898, of which Rs. 2,103,251 was for more than 10 years, Rs. 10,007,800 was for between 5 and 10 years, Rs. 5,537,279 was for between 3 and 5 years, and Rs. 6,534,870 was for between 1 and 3 years.</p>	<p>That programs will be implemented for recovery and documented errors will also be corrected.</p>	<p>The arrears of rates revenue should be recovered without delay.</p>

(b) **Rent**

The outstanding rent balance as at the end of the year under review was Rs. 26,535,374, of which Rs. 311,410 was between years 5 and 10, Rs. 4,582,795 between years 3 and 5, and Rs. 18,722,965 between years 1 and 3.

As at 31 March 2025, Rs. 1,898,850 has been collected. Arrears of rent should be recovered promptly.

**3. Operational Review**

**3.1. Performing of Functions Enacted by the Act**

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

<b>Audit Observation</b>		<b>Comments of the Recommendation Sabha</b>	
(a)	The Water Resources and Water Transport Board had provided Rs. 30,863,182 in 2019 and Rs. 1,884,004 in 2023 for the concreting of 2 damaged roads using water pipes. Instead of using that money for the intended purpose, Rs. 10 million was deposited in a fixed deposit in 2021 and the remaining money was used to reimburse the expenses of the sabha. In 2023 and 2024, Rs. 28,812,000 was paid for the development of those 2 roads and a further Rs. 3,935,186 was remain. Due to non-implementation of development activities in the years in which the money was received, a distance of about 1400 meters that was expected to be completed by 21 October 2024 could not be completed.	Since the completion of the water pipeline and the handover of the roads were delayed, the road preparation took place in 2023 and 2024, and the remaining road section will be prepared after the handover.	Money should be used for the intended purpose and provide maximum service to the people.
	(b) By the year under review, the Sabha had received 595 public complaints, of which 369 had not been resolved.	The number of complaints being resolved is 226.	Public service should be formal by paying attention to public complaints.

### 3.2. Management Inefficiencies

Audit Observation	Comments of the Recommendation Sabha	
(a) Out of the balance of various debts of Rs. 2,650,335 as at the end of the year under review, Rs. 2,538,040 was more than 05 years, Rs. 56,156 was between 03 and 05 years and Rs. 56,140 was less than 01 year. Out of the balance of debts more than 05 years, Rs. 1,876,800 which was paid to the plaintiff from the sabha fund on 15 May 2019 payments were also to be recovered from the respondents in terms of judgment No. 39/980 , Unreimbursed Rs. 649,348 of graduate allowance to be recovered.	Legal advice is being sought on the case, and although the salaries of 5 graduates have not been reimbursed, uniform allowances have been collected.	Receivables should be collected promptly.
(b) The previous cash arrears balance from 10 years ago in relation to 22 shops was Rs. 3,127,280.	The sabha has been informed to take over 08 shops and pay the arrears, but there is no agreement.	A formal agreement must be signed and acted upon.
(c) The outstanding balance of interim tax for 33 shops in 4 shopping complex for more than a year was Rs. 10,215,250.	A case has been filed against 11 interim tenants and final notices have been sent to 11 of them, while 8 have paid their dues in full and 3 are to be taken over by the sabha.	The interim tax should be collected in accordance with the agreement.
(d) During the period from 2020 to 2023, benefits received from the Employees Provident Fund, Employment Trust Fund and the Department of Pensions amounting to Rs. 568,723 had not been given to the relevant owners and were being held in the General Deposit Account even at the end of the year under review.	Rs. 404,849 has been credited to the income for the year 2025, and Rs.163,873 will be taken as income.	Action should be taken to seek and settle the issue of beneficial owners.

### 3.3. Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
It was observed that 101 trading locations were operating without entering into agreements and 44 trading locations were operating without updating agreements.	The shop owners will be notified and the shops will be taken over.	Asset leasing must be done on the basis of a formal agreement.

### 3.4. Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
(a) 39 warehouse inventory items worth Rs. 2,781,227 had been lying idle for over 2 years.	Some will be issued in 2025 and will be disposing in the 2024 survey, and some items will remain unused.	The assets of the Sabha should be utilized effectively.
(b) 6 partially completed buildings worth Rs. 5,909,944 had been lying idle for more than 1 year.	Provisions have been allocated for 2 community centers in the year 2025.	Public funds should be used in a manner that properly identifies needs and achieves objectives.

### 3.5. Assets Management

Audit Observation	Comments of the Sabha	Recommendation
(a) The ownership of 182 plots of land valued at Rs. 568,828,482 had not been confirmed.	It has been difficult to obtain deeds based on the data in the asset registers and further action will be taken after legal advice.	The ownership of lands belonging to the sabha should be taken over.
(b) Two tractors, which had been donated in 1995 and 2006 and cost Rs. 1,900,000, had not been taken over.	That it has been notified for takeover.	Ownership of vehicles should be taken over. .
(c) 8 buildings worth Rs. 8,395,462 were planned to be completed as two-storey buildings and the ground floor was prepared. Even though more than 1 year had passed, the slab roof was exposed to rain for a long time due to the fact that the upper floors were not prepared.	That the upcoming work will be completed.	Needs should be properly identified, buildings constructed, and actions taken to ensure the security of assets.



### 3.6. Human Resources Management

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	The Pradeshiya Sabha, which consists of 151 Grama Seva Divisions and 5 sub-offices, had 05 vacancies despite the approved number of Revenue Inspectors being 06, and there were 02 vacancies despite the approved number of Librarians for the 11 libraries operating under the Sabha being 07.	These vacancies have been highlighted in quarterly reports.	Vacancies should be filled and public service must be streamlined.
(b)	An staff loan balance of Rs. 1,355,549 was to be recovered from 14 deceased and left from service officers of the Sabha.	That action is being taken to collect the gratuity and cut off as bad debt.	Staff loans should be collected promptly.

## 4. Accountability and Good Governance

### 4.1 Annual Action Plan

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
04 projects worth Rs. 3,100,000 included in the 2024 action plan had not been completed.	That it was not possible due to lack of necessary resources.	Needs should be properly identified, plans should be prepared, and public money should be used in the most efficient manner.

### 4.2 Budgetary Control

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
The total allocation of Rs. 9,600,000 allocated for 13 recurrent expenditure subjects was left over.	The reasons for this are lack of repairs, lack of time, lack of information, lack of a consultant, and lack of vouchers.	The budget should be used as an effective control tool.