

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ja-ela 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 reported 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 Ja-ela Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with the Sri Lanka Public Sector Accounting Standards for the 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 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 the Local Authorities and for such internal control as management determines 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 exercise professional judgement and maintain professional scepticism throughout the audit. I also

- Identified and assessed 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.
- 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 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6. Audit observations on preparation of the financial statements

1.6.1. Non-compliance with Sri Lanka Public Sector Accounting Standards for the Local Authorities

	Non-compliance with reference to relevant standard	Comments of Sabha	Recommendation
(a)	The financial statements should be accounted on the accrual basis as per paragraph 2.5 of chapter 02 of the standard, Stamp Duty of Rs.166,191,135 received during 2019 - 2023 had been accounted as the revenue of the year under review.	In the future, this stamp duty revenue will be accounted on cash basis and disclosed.	It should be accounted as per accounting standard.
(b)	In calculation the net cash flow from the operating activities as per paragraph 3.2 of chapter 3 of the standard, an unidentified balance of Rs.1, 680,661 had been included in the balance of Rs.177, 961,821 adjusted to the surplus of the cash flow statement.	The action will be taken to rectify.	As per the standard, the cash flow statement should be prepared.
(c)	Though the depreciation should be started when obtaining it for usage as per paragraph 6.13 of chapter 6 of the standard, the asset is not depreciated in the year of purchase and it is depreciated for whole year in the year of disposal as the depreciation policy of Sabha. It had been mentioned that the assets is depreciated in the year after the usage of assets is commenced.	It can be depreciated as per paragraph V under introduction of accounting policies of Circular No. LGD/09/2019 (1) dated 27.08.2020 issued by Department of Local Government.	The action should be taken as per Standard.

1.6.2 Accounting Deficiencies

Audit Observation	Comments of Sabha	Recommendation
(a) A sum of Rs.3, 520,122 incurred for the renovation of Kadana Sub Office had been capitalized under buildings instead of accounting under repairs and maintenance.	It will be examined in relation to the difference.	It should be accurately accounted.
(b) The value of roads, bridges and culverts of Rs.5, 601,150 and the amortization value of Rs.669, 115 related to the container value of Rs.545, 000 included in the opening balance of the capital grants had not been accounted as the comprehensive income.	It will be accurately prepared in the future years.	It should be accurately accounted.

1.6.3 Unreconciled Control Accounts or Records

Audit Observation	Comments of Sabah	Recommendation
A difference of Rs.2, 736,292 was observed between the balance as per financial statement of 03 accounts included in the financial statement in the year under review and the balance as per the schedules.	It will be examined in relation to the difference.	The schedules should be maintained min an update manner and the financial statements should be prepared based on that.

1.6.4 Documentary Evidence not made available for Audit

Audit Observation	Comments of Sabha	Recommendation
It couldn't be satisfactorily examined in relation to 04 account subjects of Rs.1, 085,099 due to non-submission of the schedules and age analysis.	The action will be taken to rectify in the future.	The relevant age analysis /schedules should be submitted.

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

The incidents not complied with laws, rules, regulations and management decisions are as follows.

	Reference to laws, rules and regulations	Non-compliance	Comments of Sabha	Recommendation
(a)	Rules on accounting related to Pradeshiya Sabha Financial Administration			
(i)	No. 344	Even though the all members of tender committees and evaluation committees should be signed a statement at the first meeting that they are honest, unbiased and no personal relationship, no action had been taken accordingly in lease of Ragama parking.	The action will be taken to rectify.	The action should be taken as per the rules.
(ii)	No. 349	Even though the approval should be obtained after preparing the master procurement plan, Sabha had not taken action accordingly.	The action will be taken to rectify in the future.	The action should be taken as per the rules.
(b)	Financial Regulation 571(1) of Democratic Socialist Republic of Sri Lanka	The action had not been taken to settle overdue deposits of Rs.3.307,890 exceeded 02 years.	The deposit will be settled in the future.	The action should be taken as per the Financial Regulations.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the excess of revenue over expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 260,402,469 as compared with the excess of revenue over expenditure amounted to Rs. 108,925,589 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 Secretary, estimated revenue, revenue billed, revenue collected and arrears relevant to the year under review and the previous year are shown below.

Revenue Source	Estimated revenue	2024	Collected revenue	Total outstanding as at 31 December	Estimated Revenue	2023	Collected revenue	Total outstanding as at 31 December
		Billed revenue				Billed Revenue		
	Rs..000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'
Rates and Tax	227,887	233,099	185,868	78,284	56,892	67,148	81,695	31,024
Rent	23,101	30,350	17,804	51,217	23,174	22,944	20,468	38,671
License Fees	1,917	2,123	2,123	-	1,067	1,748	1,748	-
Other revenue	1,705	1,578	711	918	780	200	163	50
Total	<u>254,610</u>	<u>267,150</u>	<u>206,476</u>	<u>130,419</u>	<u>81,913</u>	<u>92,040</u>	<u>104,074</u>	<u>69,745</u>

2.2.2 Performance in Revenue Collection

The observations in relation to revenue collection performance of sabha are as follows.

Audit Observation	Comments of Sabha	Recommendation
(a) A sum of Rs. 37,240,709 01-03 years, Rs. 32,321,331 03-05 years and Rs. 20,575,497 more than 05 years had existed in the outstanding revenue of Rs. 130,419,166 as at 31 December 2024.	The necessary measures are being taken to recover outstanding revenue.	The action should be taken to recover outstanding revenue.
(b) Rates and Tax As at 31 December 2024, the rates and tax of Rs. 78,284,399 had been outstanding and Rs.29, 515,847 01-03 years, Rs.2, 124,612 03-05 years and Rs.15,596,851 more than 05 years had existed within it.	A program of recovery by going house to house is being implemented by conducting mobile services for recovery of outstanding.	The action should be taken to recover outstanding revenue.
(c) Other revenue Since the action had not been taken to prepare the court fines schedules receivable since many years from Chief Secretary and other authorized officers of provincial council and identify to the revenue, it couldn't be accounted any balance as court fines.	The answers had not been provided.	The action should be taken to bring the court fines and Stamp duty.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of Sabha	Recommendation
(a)	Even though the officers participated for the planning committees sign the arrival and departure of the planning committee attendance register, it was observed 22 incidents in which the departure time of the officers participated for the committee on the dates conducted the committee meetings as per the finger print machine is different to the departure time as per the attendance register of planning committee in the sample audit test.	In the departure after the end of planning committee, the participants for the planning committees sign in the attendance register for arrival and departure.	The arrival and departure of the Sabha officers should be verified from the finger print machine.
(b)	Even though the departure had been marked as per the arrival and departure register of planning committee meeting, a sum of Rs.52,500 had been paid as committee allowances in the occasion where the departure had not been marked as per the finger print machine and the leave had been taken.	The departure is not marked in the finger print machine.	The conducting of planning committees, arrival, departure and payment of allowances should be verified.
(c)	As at 31 December 2024, miscellaneous creditors balance was Rs. 222,008,150 and an amount of Rs.68,327,295 was between 01-03 years and Rs.1, 438,387 was more than 03 years. No measures had been taken to identify and settle these balances.	The action will be taken to settle in the future.	After identifying the existence of creditor balances, those should be settled.
(d)	The obtaining of annual license of a cab had not been updated after 28 November 2017. The service of vehicle after 28 September 2021 had not been updated.	The justification reports are being prepared and the action is being taken to obtain the insurance certificate presently.	The vehicle should be serviced and the action should be taken to obtain the annual license.

3.2 Operational Inefficiencies

	Audit Observation	Comments of Sabha	Recommendation
(a)	09 businesses at Tewatta Road, Ragama had not been included in trade tax, business tax and trade license survey report on 23 October 2024.	The action will be taken to recover income by considering these conditions in the future.	The survey activities should be accurately carried out.
(b)	The relevant details such as land extent, location and number of vehicles to be parked had not been included in the agreement of Ragama parking leased by sabha. Accordingly, the land extent used as the parking couldn't be correctly identified at the physical inspection.	The GI pipes had been fixed around the parking and covered the nets and demarcated.	The land extent should be mentioned in the agreement.
(c)	A monthly rent is charged by sabha for a plastic shop maintained by an external person after temporary construction in Ragama parking leased by sabha and no formal agreement had been entered into for maintenance of such shop.it had been permitted to pay monthly instalments due from February 2024 to May in 10 instalments without interest for the loss occurred to the parking owner due to this temporary plastic shop. Accordingly, the land in extent of parking had decreased on the decision taken by sabha officers the income derived from that had lost also.	It is due to be taken a decision by forwarding the report to Sabha elected in the future.	The action should be taken to remove temporary shop and formalize it.
(d)	Though a monthly lease rental of Rs.7, 057,104 was outstanding related to 05 properties belonging to sabha annually leased, no action had been taken as per the agreement by Sabha for continuously default the payment.	The step will be getting to take the money of properties on which the securities had been given into the income properly and the properties on which the legal action should be taken are forwarded for that.	The action should be taken to recover outstanding lease and take action as per the agreement.
(e)	The opportunity had been provided to use the property in 2024 without entering into agreement for Ragama No.01 mutton chicken meat shop. Though the lease of Rs. 915,959 was outstanding as at 15 October 2024, any lease rental had not been	This situation had arisen due to inability to find out the lessee.	The action should be taken to enter into agreements.

monthly paid by lessee. However, the Sabha had failed to take legal action due to taking action without agreement.

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| (f) | 10 shops at Batuwatta Sub Office had been leased on long-term basis and the following facts had been disclosed in the audit carried out in relation to lease of such shops. | | |
| (i) | Even though the lessee had sub leased without obtaining the prior approval of the lessor by lessee as per condition 09 of the agreement entered with the lessees, no action had been taken as per the agreement. | The lease rentals to be paid by the shop owners had been paid without outstanding. | The action should be taken as per agreement. |
| (ii) | Though the period of agreement had ended in 2022, no action had been taken to cancel the agreement of enter into agreement again as per condition No.30 of agreement .The permission had been given to carry out the business activities in 09 shops. | The action will be immediately taken to enter into agreement. | The action should be taken to cancel the agreements or enter into agreements again. |
| (iii) | Even though the lessee should pay an amount equal to lease rental related to 12 months as security money on the date of commencement of agreement to lessor as per condition No.06 of agreement, no step had been taken accordingly related to 10 shops. | The activities had been commenced to sign the agreement and obtain the security money. | The action should be taken as per agreement. |

3.3 Asset Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Even though it had been mentioned to rectify the valued amounts mentioned in revaluation committee report related to 13 properties passed on 12 October 2021 by the revaluation committee report passed on 08 February 2023 and changes of the properties to be corrected, such changes had not been identified. Therefore, a difference of Rs.386,235,250 was observed between the value as per committee report and the value as per the fixed asset register pertaining to 13 properties.	The necessary action will be taken to rectify the difference in the value of fixed assets.	The accurate values of the fixed assets should be accounted.

(b)	As per sample audit test, the value of 15 properties had not been accurately valued and documented.	The value of lands of these 15 properties will be valued within a month and rectified and presented to the audit.	The correct values of the lands should be included in the fixed asset register.
(c)	It had been identified 18 properties with plans on which the deeds should be prepared, 20 properties with deeds on which the plans should be prepared and 76 properties on which plans and deeds should be prepared and 19 problematic properties out of 176 total properties in accordance with the Asset Management and Revaluation Committee Report on 10 July 2023, the rectifications in relation to that matter had not been done even up to 31 December 2024.	The deeds will be written once the plans will be received.	The ownership and safety of the properties should be verified after making plans and deeds of the properties.
(d)	The action had not been taken to transfer 10 out of 61 machines and vehicles used by Jaela Pradeshiya Sabha as at 31 December 2024 and Ton 8 Roller had existed without utilization.	The action will be taken to perform relevant transfers by referring to Comptroller General's Office to take over the vehicles highlighted by audit to Sabha.	After taking over vehicles and machines to sabha, the assets should be utilized with maximum efficiency.

3.4 Defects in Contract Administration

	Audit Observation	Comments of the sabha	Recommendation
(a)	Two estimates without dates had been prepared for the contract for renovation the drainage system to the left of Watarawuma road of Kandana West Grama Niladhari Division.	The estimates had been prepared for another project not for the estimated project on strong request made by the residents and such project had been completed.	The step should be taken to accurately implement after identifying the requirements correctly.
(b)	The consideration of work assignment for above contract as per contract assignment format to approved societies and submission of a certificate on roads contract experience belonging to society under 2.3 of relevant application by other private company were problematic in the audit that in accordance with the Finance Circular No. 01/2021 of Western Province, Chief Secretary. It couldn't be identified in the audit whether the relevant project had	The society had not given a sub contract.	The action should be taken as per circulars.

been actually carried out by the society or carried out as a sub contract.

3.5 Human Resource Management

	Audit Observation	Comment of the Sabha	Recommendation
(a)	There were 20 vacancies in the staff of sabha as at 31 December 2024.	It is relied that this problem will be solved in the future.	The action should be taken to fill the vacancies.
(b)	The action had not been taken to transfer 16 officers who had completed 05 years period of service in sabha subject to annual transfers as at 25 March 2025. The period of service completed by officers in sabha was 05 to 13 years.	10 transfer orders out of 12 had been implemented presently.	The transfers should be given to the officers who had completed the period of service.