Tangalle Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Adverse Opinion

The audit of the financial statements of the Tangalle Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the Statement of Financial Operations, statement of 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 of Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and the subsection 10(1) of the National Audit Act No 19 of 2018 read in conjunction with in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, because of the significance of the matters described in paragraph 1.6 of this report, the financial statements do not give a true and fair view of the financial position of the Tangalle Pradeshiya Sabha as at 31 December 2024 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2. Basis for Adverse Opinion

I expressed adverse 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 adverse 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, 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 Requirements

National Audit Act, No. 19 of 2018 include 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 Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The stamp duty income for the year under review had been understated by Rs.108.89 million, and also stamp duty income receivable had been understated by Rs.39.88 million in the accounts.	It was stated that action has been taken to rectify this in the year 2025.	Action should be taken to disclose the correct stamp duty income.
(b)	Lands, buildings constructed, and machinery and equipment purchased amounting to Rs.8.9 million had not been accounted for under fixed assets.	It was stated that action has been taken to rectify this in the year 2025.	Lands, buildings, and machinery and equipment should be properly accounted for.
(c)	A total additional value of Rs.138,424, received due to price variations relating to nine projects carried out in the previous year, had been credited to the capital expenditure account of the year under review. As a result, both the capital expenditure and the accumulated fund had been understated by that amount.	It was stated that action will be taken to prevent such accounting deficiencies in the future..	Accounts should be maintained in a manner that enables the accurate presentation of income and expenditure relevant to the accounting period.

(d)	An amount of Rs.3.37 million identified as income had been credited to the accumulated fund, resulting in the surplus being understated by that amount.	It was stated that action will be taken to prevent such deficiencies in the future.	Income relating to the accounting period should be correctly identified and properly accounted for.
(e)	Expenses amounting to Rs. 275,980 payable had not been accounted for.	It was stated that action has been taken to rectify this in the year 2025.	The expenditure amounting to Rs.275,980, for which creditor provisions had not been made, should be properly accounted for.
(f)	A sum of Rs. 245,236 deducted during the preparation of salaries had been accounted for under both Government Contribution Recurrent Grants and Salary Expenditure. As a result, those accounts had been overstated by that amount.	It was stated that action will be taken to prevent such accounting deficiencies in the future.	Income and expenditure relevant to the accounting period should be correctly identified and properly accounted for.
(g)	A sum of Rs.281,766 payable to the Pension Contribution Fund had not been accounted for as Government Contribution Recurrent Grants.	It was stated that action has been taken to rectify this in the year 2025.	A creditor provision amounting to Rs.281,766 should be made
(h)	An amount of Rs.417,009 receivable from the income of hotels, restaurants, and lodging places registered with the Sri Lanka Tourism Board and located within the Council area had been understated in the accounts.	It was stated that action has been taken to rectify this in the year 2025.	The understated receivable income amounting to Rs. 417,009 should be properly accounted for in the year 2025.

1.6.2 Suspense Accounts

Audit Observation	**Comments of the sabha**	**Recommendation**
The Suspense credit balance of Rs.6,248 carried forward from previous years had not been rectified during the year under review.	It was stated that action will be taken to identify the evidence relating to the unidentified balance in the unidentified account.	Action should be taken to identify and settle the balance in the unreconciled account promptly.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the sabha	Recommendation
Fixed assets valued at Rs.37.5 million could not be satisfactorily verified due to the non-submission of relevant sub-schedules and fixed asset registers.	It was stated that fixed asset registers had not been maintained and that action will be taken to maintain them.	The fixed asset register, sub-schedules, and other supporting evidence confirming the account balances shown in the financial statements should be properly submitted.

1.7 Non- Compliances

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

All observations related to non-compliances with Laws, Rules, Regulations and Management decisions etc. be shown under this heading.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a) Section 134 (1) of the Pradeshiya Sabha Act No. 15 of 1987	An assessment taxes had not been charged from the areas identified as developed areas in the year 2018.	It was stated that the assessment survey files have been submitted to the Department of Valuation.	Action should be taken to assessment taxes from the areas identified as developed areas.
(b) The Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
i. Financial Regulations 371(2)	A total of Rs.110,065 in interim advances had been granted to five non-executive officers on six occasions.	Advances are to be granted by executive officers.	The granting of interim advances should be done in accordance with financial regulations, as applicable to executive officers.

ii.	Financial Regulations 396(d)	Action had not been taken in accordance with the relevant regulations in respect of 21 cheques, totalling Rs.190,163, which had been issued but not presented for payment and had become expired date.	Action will be taken in accordance with the Financial Regulations.	Action should be taken in terms of the Financial Regulations regarding cheques that have been issued but not presented for payment and have become expired date.
(c)	Section 02(iv) of Public Administratio n Circular No. 09/2009 dated 16th April 2009	Overtime allowances totalling Rs. 264,463 had been paid to 31 officers and employees without verifying their attendance through the fingerprint machine.	It has now been arranged to make overtime payments after verifying attendance through the fingerprint machine.	According to the relevant circular, payments should be made only after confirming attendance through the fingerprint machine.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year of under review amounted to Rs. 19.43 million as corresponding with the excess of recurrent expenditure over revenue amounted to Rs. 144.18 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 presented by the Secretary of the Sabha, Information 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 Estimated Revenue (Rs)	2024 Revenue billed (Rs)	2024 Revenue Collected (Rs)	2024 Arrears as at 31 December (Rs)	2023 Estimated Revenue (Rs)	2023 Revenue billed (Rs)	2023 Revenue Collected (Rs)	2023 Arrears as at 31 December (Rs)
Rates and taxes	1,698,000	2,500,588	2,622,751	1,267,164	1,478,000	8,343,339	7,783,087	1,389,327
Rent	12,097,530	13,362,407	14,039,784	1,443,810	19,710,700	11,593,000	11,212,555	2,121,187
License fees	4,147,100	11,247,285	9,295,584	3,713,244	1,776,100	8,685,034	7,454,016	1,761,543
Other income	17,938,039	36,783,195	39,428,864	688,864	23,583,000	26,108,412	23,139,379	3,334,533
Total	**35,880,669**	**63,893,475**	**65,386,983**	**7,113,082**	**46,547,800**	**54,729,785**	**49,589,037**	**8,606,590**

2.2.2 Performance in Revenue Collection

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Business tax and industry tax amounting to Rs. 1.02 million, due from 517 business units, had not been recovered in terms of Section 150(1) of the Pradeshiya Sabha Act.	It was reported that business and industry taxes amounting to Rs.60,000 had been recovered, and action is being taken to recover the outstanding balance promptly.	The business and industry taxes due should be recovered in accordance with Section 150(1) of the Act.
(b)	A sum of Rs. 247,984 receivable as acreage tax had not been recovered.	It was stated that the addresses of some landowners were not recorded and that steps are being taken to resolve this issue promptly and recover the outstanding amounts.	Lands liable for acreage tax should be correctly identified and billed, and the arrears should be recovered promptly.
(c)	Shop rent amounting to Rs.830,874 due from 50 shop stalls and annual rent of Rs. 651,499 due from four properties assessed for annual tax had not been recovered in accordance with Section 159(1) of the Pradeshiya Sabha Act.	It was reported that Rs.232,545 of the arrears of shop rent had been recovered, and that files are being prepared property by property to collect the necessary information for recovering the outstanding annual property rent.	The arrears of revenue should be recovered promptly in accordance with Section 159(1) of the Act.

(d)	As at December 31 of the year under review, court fines amounting to Rs.3.18 million and stamp duties amounting to Rs.113.57 million were receivable from the Chief Secretary of the Provincial Council and other authorities.	It was reported that Rs.1.41 million of court fines and Rs.64.5 million of stamp duties had been recovered, and that action is being taken to recover the balance amounts.	A formal procedure should be established in coordination with the Chief Secretary, the Governor, and the Land Registrar's Office to ensure proper recovery and follow-up

3. Operational Review

3.1 Identified Losses

Audit Observation	Comments of the Sabha	Recommendation
For the year 2024, advertisements calling for tenders regarding the leasing of the sabha's property were published in three newspapers, incurring an expense of Rs.77,242. Subsequently, due to the revision and republication of the said advertisement, an additional cost of Rs.24,633 was borne from the sabha funds. In accordance with paragraph 127(7) of the Financial Regulations, the loss caused to the sabha funds due to the negligence of the officers concerned should be recovered from the responsible officers.	It has been reported that the bid amount was incorrectly stated in the first newspaper advertisement, and therefore, a revised advertisement had to be published to correct the error.	In accordance with the Financial Regulations, the loss caused to the sabha funds due to negligence should be recovered.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
The sabha had not taken steps to collect a total sum of Rs. 1.72 million as fees for issuing covering approvals, process costing fees, and compliance certificate fees related to five approved building plans. Although construction work on three of the buildings had been completed and business activities were being carried out without obtaining compliance certificates, the sabha had failed to take legal action in this regard.	It has been reported that a sum of Rs.70,808 from the relevant fees has been paid, and that action is being taken to recover the outstanding fees and to initiate legal proceedings.	The relevant fees should be recovered without delay, and appropriate legal action should be taken.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
Due to the sabha's failure, both in previous years and in the year under review, to encourage 19 industrial establishments to obtain environmental licences and to issue such licences, the sabha had lost an income amounting to Rs.94,050 that should have been received.	It has been reported that one industrial establishment has been closed, and written notifications have been issued regarding the remaining 18 industries.	Environmental licences should be issued for the 18 industries that are required to obtain them, and the related revenue should be collected without delay.

3.4 Asset Management

Audit Observation	Comments of the Sabha	Recommendation
The sabha had not taken over the legal ownership of 109 land plots and cemeteries and the five vehicles under its use.	It has been reported that action is being taken to transfer the ownership of the lands and cemeteries, and to obtain the registration ownership of the vehicles.	The sabha should take immediate actions to secure the legal ownership of the lands, cemeteries, and vehicles under its use.

3.5 Delays in Project Activities or Capital work

Audit Observation	Comments of the Sabha	Recommendation
A development proposal with a budget allocation of Rs. 200,000, as provided in the annual budget document for the year under review, had not been implemented.	It has been reported that a technical evaluation report is being obtained for the installation of a new CCTV camera system.	The development proposals for which provisions have been allocated in the budget should be implemented; otherwise, the plans should be revised appropriately.

3.6 Procurement Management

Audit Observation	Comments of the Sabha	Recommendation
In carrying out the repairs of the sabha-owned bowser truck, the procedures outlined in sections 2.8.4, 5.6.1(a), and 6.2.2 of the 2006 Government Procurement Guidelines had not been followed. Although a sum of Rs.2.81 million had been paid for these repairs, no formal service agreement had been entered into with the relevant institution.	It has been reported that future procurement activities will be carried out in accordance with the guidelines and that service agreements will be entered into.	Actions should be taken in compliance with the provisions of the Procurement Guidelines.

3.7 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
The sabha's approved staff cadre was 87, while the actual number of employees was 127, resulting in an excess of 40 employees that had not been regularized.	It has been reported that requests have been made to obtain approval for the excess staff.	A formal review of the sabha's staffing requirements should be carried out.

4. Accountability and Good Governance

4.1 Audit and Management Committee

Audit Observation	Comments of the Sabha	Recommendation
Although audit and management committee meetings should be held at least once every quarter that is, four times a year only two such meetings had been held in 2024.	It has been reported that arrangements are being made to hold four committee meetings in 2025, one per quarter.	Audit and management committee meetings should be conducted once every quarter.

4.2 Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
Budget transfers amounting to Rs.22.15 million had been made between expenditure subject, and this situation had arisen due to the failure to allocate budget provisions accurately for the relevant expenditure items.	It has been reported that the allocations for road maintenance were insufficient due to the recruitment of new employees and emergency disaster situations.	Expenditures should be properly identified, and the required provisions should be accurately estimated.

4.3 Environmental Observations

Audit Observation	Comments of the Sabha	Recommendation
(a) Contrary to conditions 2.2 and 2.3 of the Environmental Protection License issued by the Central Environmental Authority, municipal solid waste and other solid waste brought in for compost production had been heaped openly on the sabha's compost yard premises, and the waste brought for compost production had been burned in the open area.	It has been reported that, in accordance with condition 2.3 of the Environmental Protection License, open burning of waste is no longer being carried out.	Actions should be taken in compliance with the conditions of the Environmental Protection License, and a systematic procedure should be established for the disposal of solid waste.
(b) Contrary to condition 3.1 of the Environmental Protection License, non-compostable solid waste had been dumped in an open area, and steps had not been taken to separate recyclable materials and direct only the non-recyclable waste to a sanitary landfill site.	It has been reported that solid waste is being sent to the Monrovia Watta Solid Waste Center.	Actions should be taken in compliance with the conditions of the Environmental Protection License, and a systematic procedure should be established for the disposal of solid waste.