

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Tissamaharama 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 provisions with 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, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Tissamaharama 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 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.

- 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	Comments of the Sabha	Recommendation
(a)	Although the Palliya Wattha multipurpose building was constructed and handed over to the sabha in 2019, the actual cost incurred for its construction had not been capitalized. Instead, an estimated gross value of Rs.300 million had been recorded under land and buildings.	Requests had been made to the Urban Development Authority to obtain the actual expenditure details, but such information had not yet been received.	The accurate value of buildings under construction should be properly accounted for.
(b)	During the year under review, the sabha had not removed from the accounts the lands and buildings valued at Rs.1.11 million, which had been previously handed over to other government institutions. In addition, the shop rooms located in front of the old bus stand, valued at Rs. 450,000 had not been accounted for.	It has been stated that corrective action will be taken in the year 2025.	Non-current assets that have been disposed of or not yet accounted for should be accurately recorded in the accounts.

- | | | | |
|-----|--|---|---|
| (c) | Capital expenditure amounting to Rs.790,592 incurred during the year had not been capitalized. | It has been stated that corrective action will be taken in the year 2025. | Non-current assets should be properly capitalized. |
| (d) | The cab vehicle used by the sabha had not been valued and accounted for. | It has been stated that corrective action will be taken in the future. | All vehicles owned by the sabha should be properly valued and recorded in the accounts. |
| (e) | The value of 225 wooden furniture and equipment items belonging to 17 divisions of the sabha had not been valued and accounted for. | It has been stated that a committee has been appointed for the valuation and that the items will be recorded after receiving the committee's recommendations. | Wooden furniture and equipment should be properly valued and accounted for. |
| (f) | A provision for creditors had been made for a balance of Rs.1.85 million received in 2020 for the establishment of two fitness centres, although agreements had not been signed and commitments had not been made for that amount. | It has been stated that corrective action will be taken in 2025. | Provisions for creditors should be made only for amounts confirmed as payable or for which commitments have been established as at 31 December. |
| (g) | Creditors had not been recognized for eight expenditure items totalling Rs.206,327 relating to the year. | It has been stated that corrective action will be taken in 2025. | Creditor balances should be accurately identified and properly accounted for. |
| (h) | Although the interest relating to the year on two of the sabha's savings accounts amounted to Rs.2.07 million, it had been accounted for as Rs.2.38 million, resulting in an overstatement of Rs.305,752. | It has been stated that corrective action will be taken in 2025. | Interest income should be accurately recorded in the accounts. |

1.6.2 Lack of Documentary Evidence for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the non-submission of schedules, age analyses, and balance confirmations, four account items totaling Rs.778,475 could not be satisfactorily verified during the audit.	It has been stated that there is insufficient evidence to take legal action, that efforts are being made to obtain information for certain balances, and that an age analysis has been submitted.	Evidence confirming the account balances disclosed 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(2) of the Pradeshia Sabha Act, No. 15 of 1987	Although ten Grama Niladhari divisions had been identified as developed areas in 2013 and 2018 with the objective of expanding the Sabha's assessments tax limits, the necessary follow-up actions to officially declare them as developed areas had not been taken. As a result, the Sabha had lost opportunities to increase its revenue.	It has been stated that the matter has been referred to the Office of the Commissioner of Local Government to obtain approval for declaring these divisions as developed areas.	Action should be taken to levy assessment taxes on the ten divisions declared as developed areas.
(b) Section 20 of the Taxation and Assessment Ordinance No. 30 of 1946	Although properties subject to assessment tax should be revalued once every five years, such action had not been taken, and the assessment tax for the year under review had	It has been stated that requests have been made to the Department of Valuation since 2012 to carry out a new valuation, but it has	Action should be taken to carry out valuations periodically in accordance with the provisions of the Assessment of

		been levied based on the valuation carried out in 2007. As a result, the assessment had been inoperative for a period of 13 years.	not yet been completed.	Properties Act.
(c)	Financial Regulation 571(3) of the Democratic Socialist Republic Of Sri Lanka	A sum of Rs.1.85 million received from the Ministry of Youth Affairs and Sports on 31 December 2020 for the establishment of two fitness centres had not been utilized for the intended purpose. In addition, a sum of Rs.42,320 collected by the Sabha in 2019 as the Nation Building Tax had not been remitted. These amounts had been retained in the deposit account for more than four and five years, respectively.	It has been stated that estimates are being prepared for the fitness centres and that the necessary follow-up actions will be taken.	The funds deposited for the relevant purpose should be utilized in accordance with financial regulations.
(d)	The Southern Provinces, Department of Local Government Circular No දළදා/පළාතො/2010/01 dated 27 December 2010 i. Paragraph 04	Although the key money payments for shop rooms should be collected either on the date of allocation or within a maximum of six instalments within six months, a sum of Rs.15.89 million due for 18 shop rooms in the Tissamaharama multipurpose building had	It has been stated that action will be taken to recover the key money payments before opening the shops.	Key money for shop rooms should be collected in accordance with the provisions of the relevant circular.

not been collected within the stipulated period.

ii. Paragraph 05	Although every agreement should be renewed once every three years, the agreements relating to 17 shop rooms, 2 temporary stalls, and 3 lottery sales booths owned by the Sabha had not been renewed.	It has been stated that action will be taken to renew the agreements and to cancel those that cannot be renewed.	The agreements relating to the Sabha's shop rooms should be renewed in accordance with the provisions of the relevant circular.
(e) Treasury Secretary's Asset Management Circular No. 01/2018 dated 19 March 2018	By the audited date of 31 December 2024, no action had been taken to dispose of ten vehicles that had been out of use and removed from operation for a long period.	It has been stated that the recommendations will be implemented after receiving the reports of the disposal committee.	Action should be taken regarding vehicles that are not in operational condition in accordance with the provisions of the relevant circular.

1.7.2 Non -compliance with Tax Regulations

Audit Observation	Comments of the Sabha	Recommendation
Although the monthly salary of an Ayurvedic lady doctor employed at the Sabha's Ayurvedic Centre had exceeded Rs.100,000 since January 2022, the Advanced Personal Income Tax (APIT) had not been deducted and remitted to the Commissioner General of Inland Revenue by the end of the year under review.	It has been stated that arrangements will be made to deduct and remit the tax at the time of earning in the future.	Taxes should be deducted and remitted in compliance with the prevailing laws and regulations.

2. Financial Review

2.1 Financial Result

According to the financial statements presented secretary of the sabha, excess of revenue over recurrent expenditure of the Sabha as at 31 December of the year under review amounted to Rs.33.58 million as corresponding with the excess of revenue over recurrent expenditure amounted to Rs.22.11 million in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

	2024				2023			
Source of Revenue	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
Assessments and taxes	3,335,849	3,247,301	2,465,958	4,059,169	3,072,086	3,397,609	4,135,145	3,906,792
rent	17,406,401	14,485,522	12,910,403	68,444	16,694,830	13,701,423	18,337,271	3,931,896
Licence fees	7,868,600	9,499,390	9,475,297	132,830	5,597,192	9,764,727	10,135,007	545,870
Other income	19,986,738	30,182,345	30,015,334	682,025	15,633,000	24,751,809	24,298,145	18,889,968
Total	48,597,588	57,414,558	54,866,992	4,942,468	40,997,108	51,615,568	56,905,568	27,274,526

2.2.2 Performance in Revenue Collection

Audit Observation

As at 1 January of the year under review, the total outstanding revenue amounted to Rs. 27.27 million, while the billings for the year totalled Rs.57.41 million. Accordingly, the total collectible revenue for the year amounted to Rs.84.69 million; however, only Rs.54.87 million had been collected, limiting the revenue collection progress to 65 percent.

Comments of the Sabha

It has been stated that the audit observation is accepted.

Recommendation

The progress of collecting outstanding revenue should be improved.

2.2.3 Assessments and taxes

Audit Observation	Comments of the Sabha	Recommendation
(a) The assessment revenue receivable from 2236 assessment units amounted to Rs.3.48 million. Of this outstanding balance, Rs.1.08 million related to arrears between one and three years, and Rs.1.74 million related to arrears exceeding three years. However, recovery of these arrears had not been carried out in accordance with the provisions of Section 158(1) of the Pradeshiya Sabha Act No. 15 of 1987.	It has been stated that Rs.609,448 had been recovered from arrears between one and three years and over three years, and that Rs.432,689 had been recovered through the issuance of red notices..	Arrears of revenue should be recovered promptly in accordance with Section 158(1) of the Act
(b) Business tax amounting to Rs.286,800 was receivable from 111 business units. Of this outstanding balance, Rs.79,200 related to arrears between one and three years, while Rs.121,200 related to arrears exceeding three years. However, recovery of these arrears had not been carried out in accordance with the provisions of Section 152 of the Pradeshiya Sabha Act No. 15 of 1987.	It has been stated that Rs.54,000 had been recovered, that legal action has been initiated to recover the remaining arrears, and that difficulties exist in recovering arrears from certain institutions that are no longer in operation.	Arrears of revenue should be promptly recovered in accordance with Section 152 of the Act.
(c) Entertainment tax revenue amounting to Rs.295,940, which had been receivable for over five years, had not been recovered.	It has been stated that action will be taken to recover the amount.	Outstanding revenue should be recovered without delay.

2.2.4 Rent

Audit Observation	Comments of the Sabha	Recommendation
(a) As at 31 December of the year under review, shop rent amounting to Rs.4.58 million was receivable from 95 shop rooms owned by the Sabha. However, recovery of these arrears had not been carried out in accordance with Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987. Of the total arrears, Rs.1.62 million related to balances outstanding for more than three years.	It has been stated that Rs.1.04 million has been recovered, that action is being taken to recover the remaining arrears, and that Rs.1.62 million has been referred for write-off.	Arrears of revenue should be recovered promptly in accordance with Section 159(1) of the Act.

- | | | | |
|-----|--|---|--|
| (b) | Fifty-eight shop rooms belonging to the Sabha, located within the Kirinda Pooja Nagar area and previously generating rental income, had their billing suspended in 2023 on the grounds that ownership of the land had been claimed by the Kirinda Temple. However, rent arrears amounting to Rs.1.62 million due to the Sabha up to that date had not been recovered. Furthermore, by the end of the year under review, no action had been taken to clarify and resolve the ownership issues relating to the land and the associated properties. | It has been stated that the arrears cannot be recovered as the ownership of the land does not belong to the Sabha, and that the amount has been referred for write-off. | Outstanding revenue should be recovered without delay, and action should be taken to resolve and clarify the ownership of the land and related properties. |
| (c) | Although three stall units and three lottery sales booths recorded under the Tissa Public Market had not physically existed for a long period, rent amounts of Rs.11,338 and Rs.112,620 respectively had been shown in the shop rent register as receivable from those units. | It has been stated that action will be taken to obtain instructions from the Commissioner of Local Government. | A physical inspection of the shop units should be carried out, and records should be accurately maintained. |
| (d) | Revenue amounting to Rs 443,996 due from the stone crusher tax since 2013 and Rs.10,178 receivable from toilet tax since 2022 had not been recovered. | It has been stated that there are no responsible officers to recover the arrears of the stone crusher tax and that the amount of Rs.10,178 has been referred for write-off. | Outstanding revenue should be recovered without delay. |

2.2.5 License Fees

Audit Observation	Comments of the Sabha	Recommendation
Parking fee revenue amounting to Rs.108,736 receivable since the years 2022 and 2023 had not been recovered during the year under review.	It has been stated that Rs.57,853 has been referred for write-off and that legal action is being taken to recover the remaining arrears.	Outstanding revenue should be recovered without delay.

2.2.6 Other Revenue

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Vehicle hire charges amounting to Rs.311,400 outstanding for more than three years, and garbage collection fees of Rs.220,400 due from 14 institutions had not been recovered. Of the garbage collection fees, Rs.138,400 had remained outstanding since 2020.	It has been stated that Rs.139,755 from the bowser hire arrears and Rs.82,000 from the garbage collection fees have been recovered, and that action is being taken to recover the remaining arrears.	Outstanding revenue should be recovered without delay.
(b)	Stamp duty revenue amounting to Rs.29.79 million was receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December of the year under review. Out of this, Rs.5.08 million due from the Hambantota Land Registry Office had been withheld by the Provincial Department of Revenue due to various issues. However, attention had not been paid to resolving those issues and taking necessary action to recover the withheld revenue.	It has been stated that Rs.28.85 million of stamp duty arrears have been recovered and that action is being taken to collect the amount due from the Hambantota Land Registry Office.	Action should be taken to recover the outstanding revenue without delay.

3. Operational Review

3.1 Identified Losses

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The office building of the Uddhakandara Compost Centre belonging to the Tissamaharama Pradeshiya Sabha was damaged by a fire on 24 November 2023, resulting in the destruction of 40 items belonging to 22 categories of goods. Although two female officers of the Sabha and an officer from the Office of the Assistant Commissioner of Local	It has been stated that the matter has been referred to the Commissioner of Local Government for necessary follow-up action and that in future, investigations will be commenced promptly in	The investigation should be conducted with the involvement of a suitably qualified technical officer, and the report should be obtained

- | | | |
|---|--|--|
| <p>Government had been appointed on 4 December 2023 to conduct a preliminary investigation into the incident, the relevant investigation report had not been submitted to the Sabha as at 31 December 2024. Furthermore, a qualified technical officer specialized in investigating fire incidents had not been appointed to the investigation committee.</p> | <p>the event of such losses or damages.</p> | <p>without delay for necessary action.</p> |
| <p>(b) A payment of Rs. 201,690 had been made on 26 June 2024 to an approved committee for the installation of a transformer near the multipurpose building, without identifying a suitable location for the installation. It was observed that, after partial construction at the initially selected site, complications had arisen, leading to the construction work being carried out again at a different location. Accordingly, a further payment of Rs.429,399 had been made to the same committee on 26 June 2024 under Voucher No. 37. Consequently, the payment of Rs.201,690 made from Sabha funds for the partially constructed and abandoned hut represented a loss to the Sabha due to negligence.</p> | <p>It has been stated that the abandoned hut can be renovated and used as a shrine room, and therefore the expenditure does not constitute a loss to the Sabha fund.</p> | <p>Construction activities should be carried out according to a proper building plan.</p> |
| <p>(c) A total sum of Rs.1.44 million had been spent in the years 2017, 2021, 2022, and 2023 for the purchase of 10 new tyres and the retreading of 48 tyres required for the Sabha's vehicles and machinery. However, as at 31 December 2024, those tyres had not yet been put to use. Accordingly, the purchase of tyres without properly identifying the actual requirements represented an unnecessary expenditure of Sabha funds.</p> | <p>It has been stated that in the future, tyres will be purchased after properly identifying the requirements.</p> | <p>Purchases should be made after carefully assessing the necessity and ensuring the prudent utilization of funds.</p> |

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) In terms of Rule 185 of the 1988 Pradeshiya Sabha (Financial and Administrative) Rules, the average monthly balances of two savings accounts of the Sabha amounted to Rs.54.38 million and Rs.21.79 million, respectively. However, these funds had not been invested in fixed deposits to generate additional income.	It has been stated that action will be taken to invest the funds in fixed deposits.	The excess funds of the Sabha should be productively invested to generate additional income.
(b) According to the 2023 board of survey, 134 items belonging to 28 categories of goods that should have been in possession of various units of the Sabha were physically not available. In addition, 700 library books valued at Rs.196,904 and 46 books of unspecified value belonging to two public libraries were reported as shortages. However, by 31 December 2024, no action had been taken to recover the value of these shortages from the responsible parties.	It has been stated that necessary follow-up actions will be taken after investigating the shortages.	Action should be taken to recover the value of the shortages identified in the board of survey from the responsible officers.
(c) An amount of Rs. 112,500 representing members' allowances not obtained by two sabha members had been retained in the deposit account without being either remitted back to the Southern Provincial Commissioner of Local Government or credited to the sabha's revenue.	It has been stated that action will be taken to credit it to the sabha's revenue.	Action should be taken either to remit the amount back to the Southern Provincial Commissioner of Local Government or to write it off in accordance with regulations.

3.3 Idle or underutilized property, plant and equipment

Audit Observation	Comments of the Sabha	Recommendation
(a) Through the District Secretariat, a new commercial complex consisting of 28 stalls and an open building had been constructed at the Pannegamuwa Public Market at a cost of Rs.62.92 million and handed over to the Sabha in 2021. Although the stalls had been tendered out, lessees selected, and the key money collected, by the end of the year under review even after more than three years the stalls had not been valued, agreements signed, or handed over to the shop owners. Accordingly, the Sabha had lost a substantial amount of rental income that could have been earned. Similarly, the Sabha had incurred an expenditure of Rs.1.13 million for concreting the ground area with concrete chip where the building is located. However, due to the failure to properly utilize and maintain the shops and the commercial complex, the expected return on the total expenditure incurred had not been realized.	It has been stated that the development activities will be completed in the year 2025.	Action should be taken expeditiously to derive the expected benefits from the expenditure incurred for the construction of the new Pannemankada Commercial Complex.
(b) i. The Urban Development Authority (UDA) had constructed a multi-purpose building near the Tissamaharama bus stand, comprising a ground floor with 48 shops, a first floor allocated for the Pradeshiya Sabha office, and a second floor designated as a meeting hall, and had handed it over to the Pradeshiya Sabha on 02 December 2019. Although construction work on the ground floor with 48 shops had been fully	It has been stated that action will be taken to open the shops in 2025.	Necessary action should be taken to derive the expected benefits from the expenditure incurred on the Tissamaharama bus stand multipurpose building consisting of 48 shops.

completed and a considerable portion of work on the other two floors had also been finished, 41 shops were tendered out in February 2023, and advance payments amounting to Rs.96.15 million had been collected from the lessees. However, even by the end of the year under review, more than five years after the completion of the building, the shops had not been assessed, agreements had not been signed with the tenants, and the shops had not been handed over, resulting in a loss of potential revenue to the Sabha.

- | | | | |
|------|---|--|---|
| ii. | Although it was stated that action will be taken to recover the key money, due to the failure to call for tenders and lease 7 shops proposed for re-tendering by the end of the year under review, the Sabha lost potential key money income amounting to Rs. 11.71 million. | Action will be taken to recover the key money. | Action should be taken to derive the expected benefits from the expenditure incurred on the Tissamaharama Bus Stand multipurpose building consisting of 48 shops. |
| iii. | Although Rs. 96.15 million had been received as key money from the tendering of the shops, the deficiencies in the building had not been rectified as at the end of the year under review.
As a result, the Pradeshiya Sabha office, which provides essential public services under severely congested and space-limited conditions, could not be relocated to the new premises. | Shops are to be opened and development activities on the second floor, including the office section, will be carried out promptly. | The expected benefits from the expenditure incurred on the Tissamaharama Bus Stand multipurpose building with 48 shops should be duly realized. |

3.4 Asset Management

Audit Observation	Comments of the Sabha	Recommendation
The sabha's tipper truck, which had been sent for repairs in 2018, remained in the garage without being repaired as of 31, December 2024, and the said garage has since been closed. Accordingly, due to the absence of a proper inquiry, the vehicle has been lying idle in the garage for over six years, and no action has been taken either to recover the vehicle in its previous condition or to rectify the situation.	Repairs will be carried out in accordance with the relevant estimates, and action will be taken to bring the tipper truck back to the Sabha.	The security of the Sabha's tipper truck should be ensured, and it should be promptly repaired and recovered to the Sabha's possession.

3.5 Defects in Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
Although it had been reported that concrete blocks used for the construction of two roads had been transported over a distance of 20 kilometers, and payments amounting to Rs.274.41 per kilometer had been made to the contractors, no invoice or other acceptable document had been submitted to confirm the location from which the concrete blocks were purchased. Accordingly, a total of Rs.60,920 had been paid as transportation charges without proper verification.	It has been stated that the relevant invoice and documents have been submitted later.	However, all invoices and supporting documents related to construction work should be obtained and verified before making payments.

3.6 Human Resources Management

Audit Observation	Comments of the Sabha	Audit Observation
There were 24 vacancies corresponding to 12 posts in the Sabha, but action had not been taken to regularize them.	It has been stated that steps will be taken to regularize the positions in the future.	A review of the staffing requirements of the Sabha should be carried out and necessary actions should be taken accordingly.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Sabha	Recommendation
According to the 2024 annual budget document, a provision of Rs. 1 million had been allocated under the Welfare Services Facilities Program for the clearing and renovation of playgrounds and cemeteries, but these development projects had not been implemented during the year under review.	It has been stated that steps will be taken to implement the development projects in line with the budget in the future.	Action should be taken to implement the budgeted development projects as planned.

4.2 Budgetary Control

Audit Observation	Comments of the Sabha	Audit Observation
(a) The total of the adverse variances in four income items amounted to Rs 54.82 million, which ranged between 17% and 60%.	It has been stated that steps will be taken to prepare more realistic estimates in the future.	Action should be taken to minimize variances, strengthen planning, and improve the efficiency of revenue collection.
(b) During the year under review, the entire provision of Rs.5.05 million related to 37 expenditure items had remained unutilized.	It has been stated that in the future, action will be taken to implement the planned activities in accordance with the budget document and the action plan.	Variances should be minimized, and planning should be carried out in a more systematic manner.

4.3 Sustainable Development Goals

Audit Observation	Comments of the Sabha	Recommendation
According to Circular No. විලේ පොදු/2018/61 dated April 23, 2018, issued regarding progress towards achieving the Sustainable Development Goals (SDGs) (attached indicators), during the audit it was observed that under 4 goals, the progress of 7 indicators relating to 6 targets had not been presented numerically.	It has been stated that instructions have been given to act in accordance with the circular.	Action should be taken to present progress numerically in compliance with the provisions of the referenced circular.