

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sooriyawewa 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 in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of sub-section 10(1) the National Audit Act No. 19 of 2018 and sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Sooriyawewa 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 Opinion

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 Un-qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Practices, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Pradeshiya Sabha's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional 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 Non - Compliances

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

Observations related to non-compliances with Laws, Rules, Regulations and Management decisions are shown below.

Reference to Non-compliance Laws, Rules Regulations etc.	Comments of the Recommendation Sabha
(a) The Section 134 (1) of the Pradeshiya Sabha Act No. 15 of 1987	Although 02 domains were identified as developed areas in 2017 and 1918 properties were declared for assessment, by the end of the year under review, no actions had been taken to collect the assessment from those properties, therefore the opportunity to expand the income of the Sabha had been lost.
(b) Paragraph 05 of The Southern Province, Department of Local Government Circular No දපපා/පපාකො/2010/01 dated 27 December 2010	That once the assessment is received, the assessment will be collected. The two domains declared as developed areas should be assessment taxed.
	That after receiving the valuation report from the valuation department, the agreements will be updated.
	Arrangements should be made to update the shop stall agreements held by the Sabha as per the referred clause of the circular.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the income exceeding the recurrent expenditure of the Sabha for the year ending December 31 of the was Rs.4.82 Million. Correspondingly, the income exceeding the recurring expenditure of the previous year is Rs.16.37 Million.

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				2023			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
Other taxes }	2,078,000	1,870,000	1,935,965	28,070	2,131,000	2,921,420	2,987,555	94,035
Rent	30,459,400	28,330,000	32,256,056	2,063,830	41,775,500	45,733,014	51,963,710	5,989,886
License fees }	1,493,100	1,893,150	1,999,350	2,000	1,379,000	1,695,600	2,474,175	108,200
Other income }	3,634,500	4,616,932	6,704,747	492,950	4,718,500	4,221,076	6,479,466	2,580,765
Total	37,665,000	36,710,082	42,896,118	2,586,850	50,004,000	54,571,110	63,904,906	8,772,886

2.2.2 Performance in Revenue Collection

Audit observations	Comments of the Sabha	Recommendation
As at January 01 of the year under review, the total outstanding income was Rs.8.77 million and the billings for the year were Rs.36.71 million. Accordingly, although the total revenue to be collected during the year is Rs. 45.48 million, the revenue collected was Rs. 42.90 million and therefore the progress of revenue collection was at a level of 94 percent.	That income estimation will be done more accurately in the future.	The progress achieved must be sustained.

2.2.3 Rent

Audit observations	Comments of the Sabha	Recommendation
(a) In relation to the years 2018 and 2021, an amount of Rs. 1.30 million had not been recovered from 06 tax properties of the Sabha at the end of the reviewed year.	That after getting the approval to write off the arrears related to the year 2021, the remaining arrears will be offset by the security deposit.	Arrears should be recovered promptly.
(b) From 48 shops stall in the Sabha, shop rents and fines of Rs. 704,131 were arrears. Further of this outstanding amount, Rs. 230,950 was the preceding remain balance from before the year 2019. The Sabha had not recovered the money in accordance with Section 159(1) of the Pradeshia Sabha Act No. 15 of 1987.	That an amount of Rs.185,838 has been recovered out of the total deficit and that the remaining recoverable amount has been directed to recover and write off the irrecoverable arrears.	As per Section 159(1) of the Act, arrears of revenue should be recovered promptly.

2.2.4 Court fines and Stamp duty

Audit observations	Comments of the Sabha	Recommendation
Court fines and stamp duty due from the Chief Secretary of the Provincial Council and other authorities were Rs.3.19 million and Rs. 1.30 million respectively. Further in the stamp duty receivable balance, the receivable balance related to the year 2023 was Rs.836,406.	That there is an outstanding amount of Rs.836,406 related to the year 2023.	Arrangements should be made to bring in the arrears of income as soon as possible.

3. Operational Review

3.1 Performance

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.

Audit observations	Comments of the Sabha	Recommendation
(a) In the year 2024, it was observed that out of the 71 complaints received regarding dangerous trees, 44 complaints were not resolved in accordance with Section 107(1) of the Pradeshiya Sabha Act No. 15 of 1987. It was 62 percent of the number of complaints received.	By now 29 complaints have been resolved and 09 more complaints have been referred to other agencies for resolution and 05 complaints related to fence boundaries have not been resolved.	Solutions should be provided expeditiously as per the referred section of the Act.
(b) In the year 2024, 135 public complaints were received from 06 divisions regarding the repair and development of roads and 92 complaints were not investigated in the year under review. It was 68 percent of the total number of complaints received.	Thirty two requests have been fully fulfilled and 103 requests will be fulfilled in the future by taking necessary actions.	Actions should be taken to resolve public complaints.

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| (c) | Although there are 3347 street lights related to the 21 domains of the sabha, as at 28 January 2025, the 79 requests to install new street lights due to the threat of wild elephants have been received since January 2023, however by the end of the year under review, solutions had not been provided. | That although requests have been made to the Electricity Board on several occasions for the installation of new street lights, no approval has been received so far and that new street lights have been installed in respect of 21 of the 79 requests and that further inspection is being done on the remaining locations. | The requirement should be identified and installation of new street lights should be done promptly. |
| (d) | In accordance with section 78(1) of the Pradeshiya Sabha Act No. 15 of 1987, it is stated that the public health function of the Pradeshiya Sabha area shall be performed by the Pradeshiya Sabha. Dengue control programs and Hydrophobia control programs were not conducted in a way that covers all the five Public Health Inspectorate Divisions of the Pradeshiya Sabha area. | That due to various reasons it was not possible to hold programs covering all 05 Public Health Inspectorate Divisions. | Disease control programs should be implemented as per the provisions of the Act. |

3.2 Identified Losses

Audit observations	Comments of the Sabha	Recommendation
At 18 November 2024, Rs.46,846 was paid to the Matara Groundwater Division of the National Water Supply and Drainage Board for the construction of a tube well to obtain the necessary water in the Madunagala Waste Project site. Moreover, an estimated value of Rs.553,302 was also paid on 27,November 2024 for the construction of the tube well. Accordingly, as a total of Rs. 600,148 had been paid. According to the submitted geological survey report, there is no significant volume of water up to the depth of 115 meters and due to the location of a stone inside it, the desired volume of water cannot be obtained from this tube well, considering the	Whenever planning to construct a tube well, may have to face the possibility of failure. Therefore, due to the tube well being a failed project, even though the costs incurred for it have been in idle. That it is inevitable.	The facts mentioned in the geological survey report should be studied and then the project implemented.

need for water, it was recommended to drill 65 meters. That although the tube well was constructed after agreements and relevant payment was made accordingly, it failed due to lack of water. As a result, the non-refundable 50 percent amount of Rs. 281,296 incurred had been idle.

3.3 Management Inefficiencies

Audit observations	Comments of the Sabha	Recommendation
In terms of Articles 30(1), 30(2) and (3) of the Gazette of the Democratic Socialist Republic of Sri Lanka dated 08, July 2021 and bearing number 2235/54, The development permit period of 30 building plans approved by the local Sabh in the year 2023 had not been extended or compliance certificates had not been provided if the construction had been completed.	That reminders have been made to extend the validity period after 01 year and to obtain compliance certificates after completion of the work and Rs.9,500 has been charged for extending the time period.	As per the clauses of the gazette referred to arrangements should be made to extend the period of license of the approved building plans or to issue compliance certificates.

3.4 Operational Inefficiencies

Audit observations	Comments of the Sabha	Recommendation
(a) Recommendations were not given for 113 business units that had been submitted for issuing trade licenses in the year 2024. And no arrangements were made to issue licenses and collect fees after completing the necessary qualifications.	That trade licenses cannot be issued as the recommendations of the Public Health Inspector have not been received and that there is some delay in receiving the recommendations of the Office of the Medical Officer of Health.	Licenses should be issued and fees should be collected.
(b) According to the business survey conducted in relation to the year 2024, 04 industries that need to obtain environmental licenses were identified, but by 28, January 2025, they had not been given environmental licenses.	That they have been informed to obtain environmental licenses for the year 2024 and that if they do not get	Environmental licenses should be issued and fees should be collected.

Also, according to the business survey conducted in the year 2022, 25 identified business organizations have not been given environmental licenses even now, so there was a loss of income that could have been received by the Sabha fund and a regulation on the damage caused by businesses to the environment.

them, they will file lawsuits and that 04 licenses have been issued in relation to the year 2023 and reminders have been issued for the rest of the institutions and they have been told to pay the inspection fees to rectify the deficiencies.

3.5 Transactions of Contentious Nature

Audit observations	Comments of the Recommendation Sabha
In the year 2010, it was proposed to build 04 shops in the Suriyawewa Nursery Garden area, and a newspaper advertisement was published for that purpose. The project was started with the Sabha's approval to apply the remaining amount from the Sabha's fund on the basis of the rent paid by the tenderers. The sum of expenses incurred by the Sabha and the tenderers for 04 shop rooms which were constructed due to not properly publishing newspaper advertisements and not making arrangements to properly construct the shop rooms and hand them over to the tenderers within the stipulated time is 2.22 million rupees. Rs. 12,096 which was the advertisement publication fee which was not formally prepared, and which became an unprofitable transaction. Also due to the court proceedings which arose due to the failure to construct the shops and give them to the tenderers within the agreed period, the sum of Rs. 1.46 million in legal fees paid up to 28, January 2025 and the loss of shop rental income due to the 04 shops being idle for more than 08 years, the Sabha had suffered a total loss of over Rs. 3.69 million.	Acceptance of audit observations. Formal investigations should be conducted and efforts should be made to recover the losses incurred by the Sabha from the related parties and to generate income without leaving the Sabha property idle.

3.6 Assets Management

Audit observations	Comments of the Sabha	Recommendation
(a) Even by 31 December 2024, arrangement had not been made to transferred to the legal rights of 168 lands and 11 buildings that are in the sabha area of the sabha and used by the sabha had not been transferred to the sabha .	That the necessary actions are being carried out to take over the land.	Urgent action should be taken to take over the legal rights of 168 lands and 11 buildings owned by the sabha.
(b) Mileometers of two Tiper owned by the sabha were inactive since 13 August 2021 and 10 August 2023 respectively, but they had not been reset by 28 January 2025. Accordingly, it was observed that it was impossible to make a proper evaluation regarding the fuel consumption of those vehicles.	That the equipment brought for repair was not suitable for these vehicles and information was provided to the supply subject to procure and order the said meter board.	Vehicle Mileometers should be updated and fuel consumption should be monitored.

3.7 Defects in Contract Administration

Audit observations	Comments of the Sabha	Recommendation
Although the District Engineer of the Hambantota Local Government Assistant Commissioner's Office No. HACLG/DEV/ 01/COH and the letter dated 22 May 2024 has prepared a special price rate (SSR) that can be used for concrete curb formwork in concrete catalog roads in relation to the year 2024 to all local government bodies, however in the year 2024, in relation to three industries that had been completed and paid by the Sabha, for the subject of the work, an additional payment of Rs.243,367 had been made due to the use of the rate of Rs. 1,850 (FW04) of the southern province building prices.	That they were not aware of the special rate while making payment for the routes mentioned in the quiry, and that the overpaid amount will be recovered on payment of the 10 percent retention money withheld.	Payments should be made to industries based on correct rates.

3.8 Human Resources Management

Audit observations	Comments of the Sabha	Recommendation
(a) By the end of the year under review, 19 redundancies related to 9 positions in the Sabha had not been formalized.	It has been informed that it is not possible to create new posts due to existing government policy decisions.	A review of the staffing needs of the Sabha should be carried out.
(b) According to No. 01/2020 and Public Administration Circular dated 28 August 2020. Pursuant to paragraph F.R.113(6) (b), Although the government does not expect any loss from the loans or advances given under the advance “B” account, also all measures should be taken to recover the said loans or advances. Further no action was taken to recover the distress loan and festival advance of Rs.250,418 due from an officer who had been suspended from work since 07 June 2023.	That letters have been sent to the Zonal Education Office to recover the outstanding amount from the spouse.	As per the referred circular and finance regulations, arrangements should be made to collect outstanding loan balances promptly.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit observations	Comments of the Sabha	Recommendation
(a) The adverse variation in 02 subjects of assessment and tax and income support was Rs.14.26 million and the variation was between 10 percent and 23 percent.	Although it was estimated that the decrease in entertainment tax revenue and the non-reimbursement of salaries and the non-receipt of councillor allowances contributed to this variation.	Variations should be reduced, planning should be streamlined and revenue collection should be made efficient.

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| (b) The adverse variance in the two subjects of repair and maintenance of capital assets and capital expenditure was Rs.10.52 million and the variance was between 28 percent and 31 percent. | That more projects were implemented than planned capital programs and that more machinery and equipment repair costs had to be incurred. | Variations should be minimized and planning should be streamlined for that. |
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4.2 Environmental Observations

Audit observations	Comments of the Recommendation Sabha
(a) At the Madunagala Solid Waste Management Center, the collected biodegradable waste was only being released into the open environment, and as of 31 December 2024, a compost yard had not been constructed, nor had any attention been given to compost production.	Under the Southern Province Development Plan of the year 2025, provision has been made for setting up the compost yard, so that the necessary activities for setting up the compost yard are being carried out.
(b) According to Extraordinary Gazette Notification 2264/18 dated 27 January 2022 published under the National Environment Act No. 47 of 1980 as amended by Acts No. 53 of 2000 and No. 56 of 1988, Although an environmental protection license should be obtained for the wastewater treatment system in the solid waste center of the Suriyawewa Pradeshiya Sabha, However, no action had been taken up to now to obtain the said license.	At 17 April 2025, the field inspection was conducted by the officials of the Central Environment Authority, and after receiving the report, they will proceed to obtain the permits

4.3 Sustainable Development Goals

Audit observations	Comments of the Sabha	Recommendation
As per the provisions of the Sustainable Development Act No. 19 of 2017, the Gali Treatment Plant, which was constructed by the Pradeshiya Sabha, had progressed to 100 percent, but by the end of the year under review, the project had not been completed.	That future funds will be specifically identified and plans will be made.	Planned tasks should be executed and accurate progress should be indicated.