

Poonakary Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Poonakary Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Balance Sheet as at 31 December 2024, Income and Expenditure Account, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, under my direction in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and Sub-section 10 (1) of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Poonakary 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 Scope of Audit (Responsibility of the Auditor for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional skepticism throughout the audit. I also:

- 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 includes specific provisions for following requirements.

- (a) The financial statements of the Pradeshiya Sabha presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	The total cost of Rs.7,605,715 spent for toilet construction and sports equipment purchased for the construction of 02 parks in Wadiyadi, which were completed during the year under review, had not been shown in the financial statements.	That the steps will be taken to correct the final accounts for the year 2025.	Financial statements should be prepared accurately.
(b)	The estimated cost of Rs. 1,430,000 relating to 04 buildings which construction work was not completed had been accounted for as creditors.	-Do-	Accounts should be prepared accurately.
(c)	The total value of the works carried out using the council's motor grader and rock roller during the year under review was Rs. 3,054,090, but it was stated as Rs.2,161,020 in the financial statements.	Steps will be taken to correct.	The correct value should be identified and accounted for.

1.7 Non-compliance

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

	Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Council	Recommendation
(a)	Section 04 of Chapter XXIV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka	No steps had been taken for the past 15 years to recover the employee loan of Rs.32,793 that was due from an officer who served in the council.	That a committee has been appointed to take action to recover the said employee loan.	Steps should be taken in accordance with the provisions of the Establishment Code.
(b)	Provincial Finance Circular No. PF/01/2017 dated 07 March 2017 and Rule 5(12) of the Provincial Councils (Finance and Administration) Rules of 1988	Security deposits of Rs.95,000 had not been obtained from 03 officers dealing with money and valuables.	Steps are being taken to recover security deposits from officers who have not paid bail money.	Steps should be taken to recover security deposits promptly.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of income over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs.10,312,949 against to the excess of recurrent expenditure over income amounted to Rs.14,463,227 in the preceding year.

2.2 Revenue Administration

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

According to the information submitted, 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 December 31	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	400,000	-	-	-	-	-	-	-
Rent	10,605,680	24,309,443	18,941,519	5,367,924	8,679,389	13,829,873	8,642,335	5,187,538
License Fee	14,717,300	2,365,815	2,365,815	-	2,204,500	2,160,825	2,160,825	-
Other Revenue	6,244,338	20,790,142	13,510,821	7,279,321	10,499,288	46,172,843	41,262,441	4,910,402
Total	31,967,318	47,465,400	34,818,155	12,647,245	21,383,177	62,163,541	52,065,601	10,097,940

2.2.2 Performance in Collecting Revenue

Audit Observation

The total rent and lease amounting to Rs. 1,847,518 was in arrears from the last 1 to 10 years, while the court fines and stamp duties that were due as at 31 December 2024 were Rs.11,179,611 and Rs.6,298,380, respectively.

Comments of the Council

Measures are being taken to recover the outstanding amounts.

Recommendation

Effective measures should be taken to recover the outstanding revenues promptly.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	The council had lost an annual income of Rs. 704,000 by renting out 32 shops on the land owned by the council in the Poonakary Sub-district Area at a value lower than the value determined by the Valuation Department in the year under review, contrary to the reviewed monthly rent.	It was recommended to be levied as per the recommendations of the Hon. Governor.	Steps should be taken to recover the value determined by the Valuation Department.
(b)	Five vehicles totaling Rs.5,700,000 and Wadiya Satipola costing Rs.2,000,000, which had been received as donations but had not been taken over by the Sabha, had been disclosed in the financial statements as non-current assets.	Steps have been taken to transfer ownership.	The assets should be transferred to the name of the Sabha.

3.2 Operational Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
	Although a Certificate of Compliance (COC) should be issued to verify whether the buildings have been constructed in accordance with the provisions of the Act in terms of Section 15(1) of the Housing Construction and Urban Development Ordinance No. 15 of 1915, the Certificate of Compliance had not been issued for 32 development permits issued for the construction of buildings by the end of the year under review.	Notifications are being issued to obtain the certificate of compliance through those currently on duty.	Steps should be taken to issue the certificate of compliance.

3.3 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	The Pallikuda Public Market, which was built at a cost of Rs. 5,524,034 in 2013, has not been used by the Sabha for more than 12 years since its construction.	As soon as the Governor's approval was received, arrangements will be made to grant on long-term lease.	Steps should be taken to utilize the assets at an optimal level.

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| (b) | No steps have been taken to repair and reuse or to sell them at auction 09 vehicles that have been in an unusable condition for a period of 01 to 10 years. | Further steps for renovation and planning to secure funding are underway. | Assets should not be left unused. |
| (c) | Steps had not been taken to acquire 89 lands and 10 vehicles used by the council by the end of the year under review. | That work is underway to transfer ownership. | Ownership of assets should be clarified. |