

Pachchilaipalli Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Pachchilaipalli 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 Pachchilaipalli 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 estimated cost of Rs. 11,708,990 relating to 04 unfinished constructions had been recorded as creditors.	That the work has been completed and payments have been made for some of the work.	Accounts should be prepared accurately.
(b)	The value of work carried out by heavy vehicles during the year under review was Rs. 2,153,300 but it was stated as Rs.1,732,900 in the financial statements.	That the essential work has been separated as used to perform it.	Financial statements should be prepared accurately.

1.7 Non-compliance

1.7.1 Non-compliances with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Comments of the Council	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka 571(1), (2) and (3)	08 overdue deposits amounting to Rs.754,095, which were more than 02 years, had not been settled.	These payments cannot be made as investigations are ongoing.	Action should be taken in accordance with financial regulations.

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.53,145,800 compared to the excess of income over recurrent expenditure amounted to Rs.29,996,608 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 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	100,000	294,851	161,042	133,809	100,000	-	-	-
Rent	7,299,198	8,567,762	8,445,682	122,080	7,573,451	6,813,459	6,719,152	94,307
License Fee	4,179,800	20,949,178	20,949,178	-	1,399,400	985,472	985,472	-
Other Revenue	7,158,450	16,116,809	15,657,976	458,833	50,185,104	53,868,645	49,826,645	4,042,000
Total	18,737,448	45,928,600	45,213,878	714,722	59,257,955	61,667,576	57,531,269	4,136,307

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	02 projects for which provisions of Rs.4,458,600 had been made in the year 2022 had not been initiated even by the end of the year under review.	Actions are being taken.	Steps should be taken to initiate those projects without delay.
(b)	22 leaseholders had constructed permanent buildings without the approval of the council.	Actions have been taken.	Steps should be taken in accordance with the provisions of the Act.
(c)	The Council had lost revenue of Rs. 106,854 due to the failure to take action to rent out the Pulopallai Public Market and Goat Butchery.	That the said shop have not been leased to anyone.	Appropriate measures should be taken to rent it out.
(d)	A sum of Rs.124,910 relating to 04 transactions to be settled in the years 2022 and 2023 had not been settled by the end of the year under review.	That steps are being taken to resolve the matter.	Steps should be taken to resolve the issue promptly.
(e)	Four vehicles worth Rs. 8,750,000, which had been received as donations but had not been taken over by the council, were shown as non-current assets in the financial statements.	Applications regarding takeovers have been sent to the relevant departments.	The relevant vehicles should be taken over in the name of the council.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
Although a Certificate of Compliance (COC) should be issued in accordance with Section 15(1) of the Housing Construction and Urban Development Ordinance No. 15 of 1915 to verify whether the buildings have been constructed in accordance with the provisions of the Act, Certificate of Compliance had not been issued for 45 development permits issued for the construction of buildings by the end of the year under review.	Appropriate notices have been given to obtain the certificate of compliance.	Steps should be taken to issue a certificate of compliance.

3.3 Assets Management

Audit Observation	Comments of the Council	Recommendation
The Council had not acquired the ownership of 02 vehicles and 32 lands extent of 43.55 acres, which had been in use by the Council for over 05 years.	Further action is being taken.	Action should be taken to take over to the council.