

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Alawwa Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Financial Operations, 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 in sub-section 10(1) of the National Audit Act No. 19 of 2018, the sub section 172(1) of 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, 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 Alawwa 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 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 of this report 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 remaining stock value of organic fertilizer as at 31st December of the year under review was Rs. 181,410 and was accounted for as income for the year under review.	Due to the failure to prepare a production account, the relevant fertilizer stock was accounted for on an accrual basis, considering it as sales during the year.	Steps should be taken to prepare accounts correctly.
(b)	While the improvement of Rs. 616,312 made in the previous year to the new Maharachchimulla Sub-Office Building had been accounted for, that expenditure had also been capitalized in the year under review.	It will be done to correct in 2025.	Steps should be taken to prepare accounts correctly.
(c)	Although the stamp duty revenue receivable for the year under review was Rs. 9,888,993, it had been over-accounted as Rs. 11,484,693, an excess of Rs. 1,595,700, and the value of court fine receivable for December of the year under review of Rs. 380,500 had not been accounted for.	It will be done to correct in 2025.	Steps should be taken to prepare accounts correctly.
(d)	The value of Rs. 476,225 for 03 projects that had received the Governor's approval but were not implemented in the year 2024 and the patient assistance expenses of Rs. 25,000 for which the Governor's approval had not been received had been accounted for under the creditor.	The Governor will take steps to fulfill the programs that have received Governor's approval under the 2025 creditor list, and to remove the patient assistance programs that have not been approved from the creditor list when preparing the 2025 accounts.	Creditors must be identified correctly.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the council	Recommendation
As at 31 st December of the year under review, the value of library books as per the financial statements was Rs. 7,122,311, but as per the schedule, the value was Rs. 7,258,011. Accordingly, a discrepancy of Rs. 135,700 was observed.	It will be done to correct in 2025.	Schedules should be prepared correctly and accounts should be prepared accordingly.

1.7 Non- Compliances

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

Non-compliances with Laws, Rules, Regulations and Management decisions as follows.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a) Section 38(2) of Chapter VII of the National Audit Act, No. 19 of 2018	A copy of the written review to be carried out by the Chief Accounting Officer to ensure that an effective internal control system for financial control is maintained and that the previous review of the effectiveness of that system has been conducted and the necessary changes have been made accordingly to ensure that the systems operate effectively had not been submitted to the Auditor General.	It will be done to correct in 2025.	An effective internal control system must be maintained for financial control.
(b) In accordance with the Asset Management Circular No. 04/2018 dated 31st December 2018 and the letter of the Commissioner of Local Government (North-West) No. NW. L.G.D / 2 / 10 / 11 dated 07th August 2023	Although all assets, including lands and buildings, should be valued by the Government Valuation Department or by appointing committees in accordance with the provisions of the Act governing the Local Government Institution regarding asset valuation, the lands and buildings owned by the sabha had not been valued.	Action will be taken to revalue lands and buildings in 2025.	Action should be taken to revalue assets in accordance with the Asset Management Circular.

(c)	Government Procurement Guidelines 2006			
(i)	3.4.3 (c)	While the Procurement Committee had decided to make purchases from registered suppliers, quotations were called from three unregistered suppliers for the purchase of stationery.	Those prices were obtained from two bookselling establishments in the city with the aim of providing an opportunity for the sabha area.	The Government Procurement Guidelines 2006 should be followed.
(ii)	5.6.1 (a)	Although the specifications for the goods or works to be procured should not be described in a narrower manner than is necessary to achieve the relevant procurement objective, appropriate specifications for the purchase of tiles in March 2024 had not been prepared accordingly.	A request was made for the procurement of 2"x 2" size tiles as per the technical estimate, and the color was determined based on the determination of the texture.	The Government Procurement Guidelines 2006 should be followed.
(d)	Public Administration Circular No. 02/2018 dated 26th January 2018 Section 03 and Section 05	The Human Resources Development Plan had not been prepared as per the circular and the sabha had not focused on conducting appropriate capacity development programs to achieve the competency goals unique to each level of the hierarchy.	In the future, steps will be taken to prepare a human resources development plan and implement capacity development programs.	Action should be taken according to the circular instructions.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 29,135,458 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 2,171,327 in the preceding year.

2.2 Financial Control

Audit Observation	Comments of the council	Recommendation
Although the cash balance in the bank current account of the sabha as at 31 st December 2024, as per the financial statement, was Rs. 27,353,959, the cash balance in the bank reconciliation statement prepared on that date was Rs. 27,586,495. The long-standing difference of Rs. 232,536 had not been identified and resolved.	Steps will be taken to correct the 2025 accounts.	The cause of the difference must be identified and action must be taken to correct it.

2.3 Revenue Administration

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

According to the information submitted by the Secretary, the following is the information on estimated income, billed income, collected income and arrears of income for the year under review and the previous year.

		2024 Year				2023 Year			
	Source of Revenue	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December
		(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)
(i)	Rates and Taxes	8,260	8,203	8,262	1,951	8,071	7,941	6,892	1,050
(ii)	Rent	13,075	12,888	13,040	55	10,787	1,149	947	201
(iii)	License Fees	1,035	760	760	-	1,020	881	881	-
(iv)	Other revenue	52,237	44,230	44,230	-	89,437	37,084	37,084	-
	Total	74,607	66,081	66,292	2,006	109,315	47,055	45,804	1,251

2.3.2 Performance in Revenue Collection

	Audit Observation	Comments of the council	Recommendation
(a)	Although realistic processing should be done to achieve the revenue estimates, approximately 12 percent of the estimated revenue had not been billed.	Revenue has decreased due to non-billing of approximately 12 percent of the estimated revenue, and steps will be taken to bill the estimate in the future.	Estimates should be prepared realistically.
(b)	Although the revenue arrears as at 31 st December should be obtained by adding the last arrears of the previous year to the billed revenue of the year under review and deducting the revenue collected, it is observed that there is a discrepancy between these figures according to the data presented.	That the contradictions in the information presented will be corrected and presented.	Correct data must be submitted.
(c)	Rates and Taxes		
(i)	Out of the assessment arrears balance of Rs. 1,955,158 as on 01 January 2024, Rs. 768,285 remained outstanding as on 31 December of the year under review and Rs. 1,122,579 remained outstanding as on 31 December of the year under review out of the Rs. 4,573,780 billed in the year under review, amounting to Rs. 1,890,864.	That action will be taken to recover the money in the future.	Action should be taken to recover arrears of revenue without delay.
(ii)	As per the provisions of Section 5(viii) of Circular No. 2010/02 dated 17th August 2010 of the North Western Local Government Department, the assessment levies should be revised once in 5 years and the sabha should pay urgent attention to the levies or fees that have not been revised for a long period of time, but such assessment had not been carried out. As a result, the sabha had lost a large amount of revenue due to it.	The assessment is for the year 2021 and an amount of Rs. 340,000 has been paid to the Assessment Department on 31 October 2023 as an advance for a reassessment.	The assessment tax assessment should be revised every 5 years.

3. Operational Review

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.

3.1 Management Inefficiencies

	Audit Observation	Comments of the council	Recommendation
(a)	As at 31st December of the year under review, there was a balance of Rs. 7,530,595 in 6 accounts receivable, of which Rs. 7,369,012 was between 1 and 5 years old and Rs. 161,637 was older than 5 years. Management had not taken any action to recover this amount.	Steps are being taken to recover and write off the amount.	Action should be taken to recover the amounts due.
(b)	As at 31 st December of the year under review, there was a balance of Rs. 32,284,844 in 15 accounts payable, of which Rs. 31,832,762 were due between 1 and 5 years and Rs. 452,082 were due more than 5 years. No steps had been taken to verify and settle the existence of these.	Only creditor values relating to the year 2024 and cannot be released until the end of the contractual bail and security bail agreement period.	Action should be taken to correct the accounts by settling all other payables, excluding the money to be held as a deposit.
(c)	During the year 2024, 32 complaints of unauthorized construction were received, and the sabha failed to take any action regarding 16 of these complaints.	An on-site inspection was conducted regarding the unauthorized constructions found in the year 2024, and solutions were provided through letters, and several other issues were resolved on the spot.	Appropriate solutions should be provided to complaints.
(d)	A list of industrial and commercial enterprises for the year 2024 had not been prepared in accordance with Sections 59, 60 and 67 of the Pradeshiya Sabha (Finance and Administration) Rules, 1989 and submitted to the Secretary of the sabha on or before March 31, 2024, and a list of defaulters had not been prepared in accordance with Sections 65 and 67 thereof.	Work will be done to prepare these documents in the future.	The Pradeshiya Sabha (Finance and Administration) Rules, 1989 should be followed.

- | | | | |
|-----|---|---|---|
| (e) | <p>Although Section 15 of the Local Government Commissioner's Circular No. 2019/02 dated 10th January 2019 states that leasehold rights should not be transferred without the prior and written approval of the Local Government Institution, during the physical inspection carried out on 28 stalls of the Alawwa public market, 06 stalls, namely stall numbers 04, 12, 18, 19, 21, and 23, had been granted interim leases. Action had not been taken in accordance with Section 18 of the Circular in this regard.</p> | <p>Steps will be taken in the future to act in accordance with Circular 18.</p> | <p>Action should be taken according to the circular instructions.</p> |
|-----|---|---|---|

3.2 Assets Management

	Audit Observation	Comments of the council	Recommendation
(a)	Fixed asset registers are maintained only for lands, buildings and vehicles owned by the sabha, while records had not been maintained for other fixed assets.	That step will be taken to include office equipment in the fixed asset register.	Fixed asset register must be kept up to date.
(b)	Out of the 66 lands owned by the sabha, there were 46 lands with deeds but no plans, 14 lands without deeds and plans and 03 lands without deeds and plans and the ownership and extent of these lands had not been formally confirmed. Furthermore, steps had not been taken to acquire the ownership of 63 cemeteries used by the sabha.	Action will be taken to acquire the relevant deeds and plans to acquire the unclaimed lands and to confirm ownership of the lands. In addition, requests have been made to the Divisional Secretary to transfer the ownership of 63 cemeteries.	Steps should be taken to formally verify ownership and amounts.
(c)	Although the sabha's name boards should have been installed on the sabha's lands by fencing them and ensuring their security, this had not been done.	Security has been ensured by erecting fences at the Dawatagolla/Pannala cemeteries. In the future, security will be ensured by using fences and name boards.	Land security must be ensured.

3.3 Delays in Project Activities or Capital work

Audit Observation	Comments of the council	Recommendation
(a) 07 programs for which budgeted provisions value Rs. 950,000 had been allocated had not been implemented.	It was not possible to obtain it during that year due to the lack of specifications and the fact that the goods were not available in those institutions at that time.	Projects to be completed during the year should be accurately identified and budgeted provisions should be allocated.
(b) The Community Development Division had achieved physical progress of 7 percent and 36 percent in 02 programs implemented.	The beneficiaries delayed the construction of toilets and the election situation prevented them from reaching full capacity.	Work should be done to achieve targeted progress.

3.4 Human Resources Management

Audit Observation	Comments of the council	Recommendation
(a) There were 05 vacancies and 19 surplus staff in the approved staff of the sabha and Rs. 2,600,570 had been paid as salaries and allowances in the year under review for 04 employees who were recruited on casual, substitute, contract or daily allowance basis in excess of the approved staff.	Three health workers have been recruited on a daily basis as the number of employees working at the Solid Waste Management Center is insufficient.	Recruitment should be made for vacancies and surplus staff should be approved.
(b) Five officers had been appointed to cover the duties of the driver post, and three other officers had also been assigned driving duties. Accordingly, it is observed that the number of driving officers approved for the sabha is not sufficient.	There are 14 vehicles and only 04 drivers have been approved. Therefore, since the number of drivers is not sufficient for the number of vehicles available, employees in other positions have been deployed to cover the duties of the driver position.	Steps should be taken to approve the required number of officers.
(c) It was observed that the absence of three revenue inspectors in the sabha has affected the efficiency of revenue collection.	There are 03 vacancies in the Revenue Inspector position of the sabha, and the relevant departments have been informed in this regard.	Recruitment should be made for vacancies.

3.5 Management of Vehicle fleet

Audit Observation	Comments of the council	Recommendation
A tractor owned by the sabha has not been in running condition since December 31, 2023.	It is currently undergoing repair in 2025.	The assets of the sabha should be utilized effectively.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the council	Recommendation
There was no specific time frame for achieving each of the activities set out in the action plan prepared for the year under review and no Key Performance Indicators (KPIs) were established to measure progress in achieving the primary objective.	The action plan for the year 2025 has been prepared.	The annual action plan should be prepared accurately.

4.2 Budgetary Control

Audit Observation	Comments of the council	Recommendation
(a) There was a variation of between 2 and 29 percent between the budgeted income and actual income of 05 revenue items in the year under review and a variation of between 18 and 74 percent between the budgeted allocation and actual expenditure of 08 expenditure items. Accordingly, the budget document had not been utilized as an effective management control tool.	These variations were due to reasons such as fewer training sessions than expected, conducting some training programs online, lowering fuel prices mid-year, and receiving instructions to control spending on supplies and equipment.	Efforts should be made to minimize variations between budgeted values and actual values.
(b) Four industries for which provisions of Rs. 1,600,000 had been allocated in the annual budget had not been implemented during the year under review.	The industries for which provisions of Rs. 1,600,000 were allocated in the annual budget could not be fulfilled during the year under review.	Provisions should be allocated to meet the needs of the people of the area and efforts should be made to implement them.

4.3 Sustainable Development Goals

Audit Observation	Comments of the council	Recommendation
The sabha had set unattainable targets as Sustainable Development Goals, such as eradicating extreme poverty for all people everywhere by 2030, and the sabha had not focused on identifying sustainable development goals that were practical.	Whether budget allocations have been included in the action plan and the projects completed in the year under review to achieve sustainable goals.	Action must be taken to achieve practical sustainable development goals and targets.