

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Athuraliya Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, statement of financial performance, statement of changes in net assets and 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 Sub Section 172 (1) of the Pradeshiya Sabha Act No.15 of 1987 and the 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 accompanying financial statements give a true and fair view of the statement of financial positions as at 31 December 2024 of the Athuraliya Pradeshiya Sabha, and of its financial performance and its cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

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 Principles, 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 to be prepared.

1.3 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 exercise 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 the 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 Industry;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.4 Report on other Legal Requirements

The National Audit Act No.19 of 2018 includes special provisions regarding the 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 described in paragraph 1.6 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 Observations	Comments of the Council	Recommendation
(a)	A deposit of Rs.208,626 which had been released in the year 2020 had been accounted as deposits payable in the year under review.	Action will be taken to accurately account in 2025.	Accounting should be done correctly.
(b)	The overpaid amount of Rs.649,264 for employee salaries had not been accounted as a balance payable.	Action will be taken to accurately account in 2025.	Accurate accounting should be done.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the recurrent income exceeding the recurrent expenditure of the Council for the year ended 31 December of the year under review was Rs.6.20 million, and conversely, the recurrent expenditure exceeding the recurrent income of the previous year was Rs.2.01 million.

2.2 Revenue Administration

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

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

2024						2023				
	Source of Revenue	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
(i)	Assessments and Taxes	2,437,500	2,305,105	2,743,682	1,529,623	2,212,500	2,097,815	1,801,569	1,968,200	
(ii)	Rent	6,076,120	2,946,732	2,973,366	49,533	3,834,000	3,975,731	5,284,650	76,167	
(iii)	License fee	357,500	336,776	43,497	613,431	325,000	264,075	206,573	320,152	
(iv)	Other Revenue	14,784,500	2,396,734	2,492,018	107,609	1,101,000	2,453,040	2,572,946	202,893	
		23,655,620	7,985,347	8,252,563	2,300,196	7,472,500	8,790,661	9,865,738	2,567,412	

2.2.2 Performance in collecting Revenue

The following are observations regarding the performance of revenue collection of the council.

Audit Observations	Comments of the Council	Recommendation
(a) Assessment and Taxation		
There was an arrears balance of Rs.1.49 million in respect of 776 assessment units at the end of the year under review, Out of this, 505 balances amounting to Rs.1.13 million were overdue for more than 3 years.	An amount of Rs.85,624 has been recovered and actions are being taken to recover the arrears balances by continuing to provide mobile services.	Actions should be taken to recover arrears of assessment revenue promptly.
(b) Rent		
In accordance with paragraph 04 of the Circular No.S.P.P./L.G.C/2010/01 dated 27 December 2010 of the Commissioner of Local Government of the Southern Province, although the key money for the lease of stalls premises should be recovered at once or within 06 months upon the request of the lessee, the key money of Rs.2.4 million in respect of 05 fish stalls belonging to a public shopping complex had not been recovered for 17 months.	Rs.232,500 has been recovered and actions are being taken to take over the remaining fish stalls to the council.	Action should be taken to recover the arrears key money in accordance with the Circular.
(c) Other income		
As of the end of the year under review, action had not been taken to recover court fines of Rs.451,801 and stamp duty of Rs.23.4 million that were due from the Chief Secretary of the Provincial Council and other authorities.	The answer has not been submitted.	Actions should be taken to recover arrears of revenue promptly.

3. Operational Review

3.1 Performance of functions assigned by the Act

The following is an observation regarding the performance of the functions that the council was supposed to perform under Section 3 of the Pradeshiya Sabha Act, namely, regulating and controlling matters relating to public health, public utility services and public roads, and ensuring the comfort, convenience and welfare of the people.

Audit Observations	Comments of the Council	Recommendation
A permanent and systematic garbage management program had not been implemented to recycle non-biodegradable garbage in the council area of authority, and non-biodegradable garbage had been disposed of on private land without following an environmentally friendly disposal method.	Currently, biodegradable garbage from the categorized garbage is given to the Akuressa Pradeshiya Sabha compost yard, and non-biodegradable garbage is disposed of as landfill on private land.	A formal garbage management system should be implemented.

3.2 Operational Inefficiencies

Audit Observations	Comments of the Council	Recommendation
(a) The 04 stalls in a shopping mall owned by the Council had been sub-leased to other parties, without complying with the provisions of paragraph 11 of the Circular No.S.L.G./L.G.C./2010/01 dated 27 December 2010 of the Commissioner of Local Government of the Southern Province.	Further action will be carried out in accordance with the relevant agreements for the stalls provided to other parties.	Action should be taken in accordance with the provisions of the circular and appropriate action should be taken on failure to do accordingly.
(b) Action had not been taken to collect assessments from the units belonging to 03 Grama Niladhari Divisions in the council area of authority which had been identified as developed areas in terms of Section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987.	The relevant gazette notification has been prepared and forwarded to the Office of the Assistant Commissioner of Local Government.	Assessments should be levied on properties in areas identified as developed areas.

3.3 Human Resource Management

Audit Observations	Comments of the Council	Recommendation
(a) According to the staff plan, 02 positions remained surplus as of the end of the year under review.	The position of Community Development Officer has been approved by the Department of Local Government and attached to the council, and actions are being taken to approve the surplus positions.	Review of the staff requirements to the council should be done and staff should be managed accordingly.
(b) The 06 primary grade employees in the service of the Council had been assigned other duties without being assigned the duties required for the position and an amount of Rs.2.33 million had been spent from the Council fund as salaries and allowances during the year under review.	That the duties have been assigned based on the service needs of the council and only the salary for the position for which the employee has been recruited is paid.	The staff requirement of the council should be reviewed and recruitment should be made accordingly, and duties related to the position should be assigned to officers.