Maritime Paththu Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Maritime Paththu 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 Maritime Paththu 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 value of 56 lands owned and used by the Council had not been assessed and accounted for by the end of the year under review.	Steps will be taken to assess the land after receiving the documents.	All assets owned by the council should be included and the accounts should be prepared correctly.
(b)	The value of 04 constructions completed during the year under review, amounting to Rs. 11,005,762, had not been capitalized.	Attention will be paid to the preparation of next year's financial statements.	Financial statements should be prepared accurately.
(c)	The income for the year had been understated by Rs.11,059,243 which was received from 03 bid deposits and tax revenues as it was not carried forward as income in the financial statements.	Steps will be taken to ensure that such errors do not occur in the future.	-Do-
(d)	The estimated cost of Rs. 5,471,991 related to 07 unfinished constructions had been accounted for as creditors.	Only completed tasks will be recorded as creditors in the future.	Accounts should be prepared correctly.
(e)	The value of 10 lands amounting to Rs. 264,155 which were not belonging to the council area was stated in the financial statements.	Steps will be taken to remove the value of lands not belonging to the council from financial statements.	Financial statements should be prepared accurately by including only assets belonging to the council.

1.7 Non-compliance

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

	Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Council	Recommendation
(a)	Section 126, Paragraph IX (b), of the Pradeshiya Sabha Act, No. 15, 1987	Without preparing by-laws on the imposition of charges and publishing them in the Gazette, waste disposal fees of Rs. 4,013,620 had been collected.	That the steps have been taken to publish the fee to be charged in the Gazette.	Steps should be taken to charge the fee in accordance with the provisions of the Act.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka 571 (1), (2) and (3)	Action had not been taken to settle 07 lapsed deposits totaling Rs. 446,897.	Action will be taken regarding security deposits in accordance with the financial regulations.	Arrangements should be made to transfer the money to income in accordance with financial regulations.
(c)	Public Finance Circular No. 01/2014 dated 17 February 2014 and Sub-section 16(2) of the National Audit Act No. 19 of 2018	The Council had not submitted the annual performance report to audit along with the financial statements.	The annual performance report will be presented in the future along with the financial statements.	Action should be taken in accordance with the provisions of the circular and the Act.

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.55,353,462 compared to the excess of income over recurrent expenditure amounted to Rs.60,038,075 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.

	2024				2023			
Source of venueRe	**Estimated Revenu**	**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	9,000	251,500	251,500	-	721,000	194,835	194,835	-
Rent	24,810,807	28,366,023	25,190,896	3,175,127	21,395,700	25,465,436	25,490,958	2,241,146
License Fee	3,934,650	5,914,659	5,914,659	-	2,729,100	3,606,462	3,606,462	-
Other Revenue	14,781,648	27,200,619	27,200,619	-	32,297,730	40,173,280	40,173,280	-
Total	43,536,105	61,732,801	58,557,674	3,175,127	57,143,530	69,440,013	69,465,535	2,241,146

2.2.2 Performance in Collecting Revenue

Audit Observation	Comments of the Council	Recommendation
The total amount of Rs. 2,183,722 from butcher shop rent and market rent due from 10 parties has not been collected so far and that balance has been in arrears for the past 01 to 04 years. Similarly, the court fines and stamp duties due as at 31 December 2024 were Rs.26,928,082 and Rs.14,400,500 respectively.	Steps are being taken to recover arrears.	Appropriate steps should be taken to recover arrears promptly.

3. Operational Review

3.1 Management Inefficencies

	Audit Observation	Comments of the Council	Recommendation
(a)	Six projects worth Rs. 7,200,000 for which the Council had made budget allocations in the year under review and 04 projects worth Rs. 6,400,000 estimated for the year 2023 had not	That the work is underway.	Steps should be taken to start the projects within the stipulated time frame.

	been initiated even by the end of the year under review.		
(b)	The council had lost an annual income of Rs. 168,000 due to the failure to take action to rent out 02 shops.	That the arrangements are being made to re-let it.	Appropriate measures should be taken to provide it for rent.

3.2 Operating Inefficiencies

Audit Observation	Comments of the Council	Recommendation
Although, in accordance with Section 15(1) of the Housing Construction and Urban Development Ordinance No. 15 of 1915, a Certificate of Compliance (COC) should be issued to verify whether the buildings have been constructed in accordance with the provisions of the Act, certificates of compliance had not been issued for 82 development permits issued for the construction of buildings by the end of the year under review.	Steps will be taken to issue certificates of compliance in the future.	Steps should be taken to issue certificates of compliance.

3.3 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	Contrary to paragraph 1.1 of the Finance Commission Circular No. 2016/01 dated 30 December 2015, renovation works of 02 buildings and sports grounds were also carried out at a cost of Rs. 66,065,952 on properties not belonging to the Council.	The Divisional Secretariat had provided documents related to the transfer of the lands where the buildings are located.	Steps should be taken to obtain documents related to the ownership of the lands.
(b)	Steps had not been taken to transfer the ownership of total of 16 vehicles such as tractors, bowser lorries, garbage disposal lorries and motorcycles that had been provided to the Council by government and non-government institutions by the end of the year under review.	That the ownership is being transferred.	The ownership of the assets should be cleared.

(c)	The office of Deputy Provincial Director of Agriculture had provided the Sabha with 02 machines worth Rs.500,000 in 2022 for the production of compost fertilizer, but, no steps had been taken to use those machines for the production of compost fertilizer as at the date of this report.	That the machines will be used after receiving sufficient staff.	Steps should be taken to fully utilize the assets.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
When comparing the estimated income and expenditure with the actual income and expenditure as per the budget prepared for the year under review, there were variations ranging from 39 percent to 68 percent in 03 income objects and from 15 percent to 55 percent in 05 expenditure objects, and 344 percent variation in capital expenditure object, therefore, the budget had not been used as an effective management control tool.	That the steps will be taken to prepare the budget in the future so that such variations do not occur.	The budget should be prepared carefully, identifying the needs.