

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Padavisripura Pradeshiya Sabha for the year ended 31 December 2024 comprising with the Balance Sheet as at 31 December 2024 and Income and Expenditure Account, 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 sub-section 10 (1) of 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 Padavisripura Pradeshiya Sabha as at 31 December 2024, and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.2 Basis for qualified Opinion

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

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 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 determines 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 Pradeshiy Sabha's financial reporting process.

As per Section 16(1) of 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 of the Sabha.

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 exercise professional judgement and maintain professional scepticism throughout the audit. I also

- Appropriate audit procedure were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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
- An understanding of internal control relevant to the audit was obtained 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 Pradeshiya Sabha's internal control
- Evaluate the 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
- 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 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 discussions issued by the governing body of the company
- Whether the Pradeshiya Sabha 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 the other legal requirements

National Audit Act, No. 19 of 2018 include specific provisions for following requirements.

- (a) The financial statements of the Pradeshiya Sabha are consistent with the preceding year as per the requirement of the 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 Statement

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	No provision had been made for audit fees for the current year.	Actions are being taken to allocate funds promptly.	Provisions should be made for expenses to be paid.
(b)	The value of the air conditioner purchased in the current year, Rs. 2,931,109, had not been capitalized.	The necessary actions will be taken to capitalize when preparing the final accounts for the next year.	Capital expenditure should be accounted for accurately.
(c)	Fixed assets of Rs. 507,330 received as donations in the year 2023 had not been accounted for.	Necessary action will be taken to account when preparing the final accounts for the coming year.	Donations should be accounted for correctly.
(d)	Court fines worth Rs. 522,503 received for the year 2023 had been accounted for as income for the current year.	The necessary action will be taken to correctly account for income in the coming year.	Income should be accounted for correctly.
(e)	The amount of Rs. 1,000,000 due for two projects implemented under the Provincial Special Development Grants Program had not been shown as debtors.	The necessary actions are being taken to accurately account for.	Receivable balances should be accurately presented in the accounts.
(f)	The book value of Rs. 218,291 proposed to be removed through the board of survey during the period from 1994 to 2024, had not been removed from the books of accounts	Action will be taken to remove from the accounts, when preparing the final accounts for the year 2025.	Accounts should be prepared correctly.

(g)	As a retention in the deposits ledger had been overstated by the amount of Rs. 234,353	Action will be taken to correct through the journal entries, when preparing the final accounts for the coming year.	Ledger accounts should be recorded accurately.
(h)	In relation to the projects of the current year, the contribution to capital from income account was understated by Rs. 9,928,409..	Action will be taken to correct through the journal entries, when preparing the final accounts for the coming year.	Accounts should be prepared correctly.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
As of December 31st of the year under review, there was a difference of Rs.5,738,370 between the balances as per the schedules and the balances as per the accounts for 03 accounts.	Action will be taken to correct through the journal entries, when preparing the final accounts for next year.	Differences should be examined and corrected.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the lack of evidence for 06 account subjects totalling Rs. 185,917,493 stated in the financial statements, it was not possible to satisfactorily verify them.	The necessary documents for acquiring the legal ownership of the land and buildings have been submitted to the Padavisripura Divisional Secretary and the remaining balances will be corrected in the future.	Accurate information related to account subjects should be submitted.

1.7 Non- Compliances

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

Non-compliance with Laws, Rules, Regulations and Management Decisions are as follows.

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987 (i) 24 Section	The roads owned by the Sabha had not been inventoried, and no Actions had been taken to gazette all of those roads.	Action will be taken to complete all of this and gazette it in the future.	Action should be taken in accordance with the Pradeshiya Sabha Act.

(b) Pradeshiya Sabha (Finance and Administration) Rules 1988	(ii) 119 Section	There were no by-laws enacted to regulate the Weekly fair.	Action will be taken to obtain approval in the future.	Action should be taken in accordance with the Pradeshiya Sabha Act.
	(iii) 134 Section	The developed areas within the Sabha area of authority had not been identified from time to time and action had not been taken to collect rates and taxes.	The relevant departments have been informed and valuation will be carried out in the future.	Action should be taken in accordance with the Pradeshiya Sabha Act.
	(iv) 159 Section	Action had not been taken to recover the arrears of Rs. 1,070,513 due at the end of the year under review.	Some of the money has been recovered and necessary actions are being taken to recover the remaining balance.	Action should be taken in accordance with the Pradeshiya Sabha Act. .
	(i) Rule 5(xii)	The officers/employees who were required to provide security deposits had not taken action to keep security deposits as per Eastern Provincial Finance Circular PT/03/2021.	No answers	Officers/employees who are required to provide security deposits should act in accordance with Eastern Provincial Finance Circular PT/03/2021.
	(ii) Rule 193	Statements showing the reasons for the surplus and deficit, comparing the actual expenditure of the expenditure subjects with the budget and supplementary standard expenditure, had not been submitted with the accounts.	Action should be taken to submit it with the final account for next year.	Actions should be taken in accordance with the Pradeshiya Sabha Act..
	(iii) Rule 218	Land and buildings costing Rs. 160,952,333	No fixed assets have been registered prior to 2015 and the	Actions should be taken in accordance with

		had not been surveyed once in every year.	necessary actions are being taken to value the assets.	the Pradeshiya Sabha Act..
(c)	Ministry of Public Administration and Management Circular 02/2018	A human resource development plan had not been prepared in accordance with the circular.	The necessary action will be taken to present it correctly in the future.	Action should be taken as per the circular.
(d)	Sub-section 16(2) of the National Audit Act No. 19 of 2018	The performance report of the Sabha had not been submitted to the audit along with the final accounts.	Action will be taken to present it correctly in the future.	Action should be taken in accordance with the Audit Act.

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. 3,635,829 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 1,946,727 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 presented by the Chairman of the sabha relating to 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	Estimated Revenue	2024			Estimated Revenue	2023		
		Revenue billed	Revenue Collected	Arrears as at 31 December		Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.000.	Rs.000.	Rs.000.	Rs.000.	Rs.000.	Rs.000.	Rs.000.	Rs.000.
Rent	800	753	760	44	700	647	640	51
Trade license fee	720	913	899	174	500	746	740	160
Other revenue	<u>20,000</u>	<u>17,314</u>	<u>17,205</u>	<u>853</u>	<u>12,000</u>	<u>15,127</u>	<u>14,383</u>	<u>744</u>
Total	<u>21,520</u>	<u>18,980</u>	<u>18,864</u>	<u>1,071</u>	<u>13,200</u>	<u>16,520</u>	<u>15,763</u>	<u>955</u>

2.2.2 Revenue Administration

Audit Observation	Comments of the Sabha	Recommendation
Although the Eastern Provincial Council had enacted by-laws to formalize, regulate, supervise and control advertisements among the standard by-laws, no actions had been taken to levy fees in accordance with those by-laws.	In accordance with the standard by-laws issued by the Provincial Council, this institution is charging fees for the relevant billboards, written notices have been issued to the relevant institutions.	Action should be made to increase income.

3. Operational Review

3.1 Fulfilment of functions assigned by the Act

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 Public and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below

Audit Observation	Comments of the Sabha	Recommendation
All the functions for which by-laws should be enacted under Section 126 of the Pradeshiya Sabha Act had not been identified and Action had not been taken to enact by-laws as of December 31, 2024.	Projects that can generate income are being implemented and in the future, by-laws should be enacted with specific plans to generate more new income.	Action should be taken in accordance with the Pradeshiya Sabha Act.

3.2 Management inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) While 02 development permits were issued from 2021 to 2023, 09 development permits were also issued for the 25 applications received for the year 2024, it was observed that these activities had not been regulated as no unauthorized construction had been reported in the area of authority.	Actions are being taken to issue development permits for all constructions within the area of authority.	Land development activities should be regulated.

(b)	The Sabha did not have a proper plan for solid waste management. However, in 2022, garbage bins were purchased at a cost of Rs. 959,820 for the collection of garbage in the city, but since the separated garbage is mixed again during collection, the money spent on that had become a non-economical expense.	The Sabha has taken actions to implement a new plan for managing solid waste.	A formal plan for solid waste management should be developed and implemented.
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3.3 Operational inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	No systematic procedure had been followed to settle the advance balance of Rs. 336,457 at the end of the year under review.	To resolve these issues systematically, they will be discussed at the Management Committee meeting and the Audit Management Committee meeting and action will be taken.	The advance balance should be settled.
(b)	Appropriate action had not been taken to release the long term contract deposit of Rs. 3,256,708.	Do	Contract management should be carried out well.
(c)	Action had not been taken to identify and settle or take into account various deposits worth Rs. 1,745,236..	To resolve these issues systematically, they will be discussed at the Management Committee meeting and the Audit Management Committee meeting and action will be taken.	Action should be taken to settle lapsed deposit balances.

3.4 Human Resources Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Considering the approved staff of the Sabha and the actual number of employees, there were 16 vacancies in 11 posts.	Requests have been made in writing to fill the vacancies from the relevant departments, and action will be taken to make requests again next year.	Action should be taken to fill the vacancies.
(b)	No action had been taken to pay a single salary increment to a library assistant working in the Sabha between 2007 and 2024.	No answers.	Salary increments should be given on time to motivate employees.

3.5 Vehicle fleet management

Audit Observation	Comments of the Sabha	Recommendation
In accordance with the Asset Management Circular No. 02/2017 dated 21st December 2012, no Actions had been taken during the year under review to properly take over 05 vehicles costing Rs. 18,009,050 which did not belong to the Pradeshiya Sabha.	Discussions have been held with the provincial ministries and RMV regarding assets that have not been taken over by Asset Management and the process of taking over will be carried out expeditiously.	Action should be taken to acquire assets promptly.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Sabha	Recommendation
The Sabha had established an internal audit unit but had not introduced internal audit programmes during the year under review. Also, an internal audit plan had not been prepared and the approval of the National Audit Office had not been obtained.	Due to the busy schedule and the shortage of staff in the Sabha, there were some oversights and it was stated that such oversights will be avoided in the future.	Internal audit should be formalized

4.2 Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
It was observed that the budget had not been used as an effective control instrument as a variation of 9 percent to 58 percent was observed in 6 revenue subjects and 17 percent to 39 percent in 5 expenditure subjects when comparing the estimated income and expenditure with the actual income and expenditure as per the budget prepared for the year under review.	No answers.	The budget should be prepared realistically.

4.3 Environmental Problems

Audit Observation

It was observed that due to the non-compliance with the amendments made to the National Environment Act No. 47 of 1980, the re-mixing of classified and collected waste and its release into the bare environment, the irregularly disposed waste could enter waterways during floods and heavy rains, causing environmental problems for aquatic organisms, wildlife and humanity.

Comments of the Sabha

The garbage yard where the garbage collected by the Sabha is disposed of has been designed in such a way that the mixing of waste with rainwater during the rainy season is minimized and the damage to the environment and wildlife is minimized.

Recommendation

Appropriate action should be followed for waste disposal and regulation should be carried out properly.