

Seruvila Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Seruvila 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 reported to parliament appear in this report

In my opinion, the financial statements give a true and fair view of the financial position of the Seruvila Pradeshiya Sabha as at 31 December 2024, and of its financial performance for the year then ended in accordance with Generally accepted Accounting Practices.

1.2 Basis for Un Qualified Opinion

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 Un 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 Pradeshiya 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 Non- Compliances

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

Non-compliance with Laws, Rules, Regulations and Management Decisions etc. 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) Section 24	While the roads constructed by the Sabha had been inventoried, Actions had not been taken to gazette all of those roads.	Action will be taken to gazette all roads owned by the Sabha	Action should be taken in accordance with the Pradeshiya Sabha Act.
(ii)Section 119	By-laws had not been enacted to regulate the weekly fair, and although annual tenders for the weekly fair should have been called and agreements reached and formal controls should have been implemented, this had not been done accordingly.	Although tenders were called for the weekly fair, no applicants came forward, so the Sabha will take actions to collect the weekly fair revenue.	Action should be taken in accordance with the Pradeshiya Sabha Act.
(iii) Section 134	The developed areas within the Sabha are of authority had not been identified from time to time and actions had not been taken to assess and levy taxes.	Necessary actions will be taken to collect assessment taxes in the future.	Action should be taken in accordance with the Pradeshiya Sabha Act.

(iv) Section 159	Action had not been taken to recover the arrears of Rs. 27,973,520 due at the end of the year under review. Therein, Rs. 938,295 was the arrears balance that had been outstanding for more than 05 years.	Action will be taken in the future to collect the revenue in arrears.	Action should be taken in accordance with the Pradeshiya Sabha Act.
(b) The Pradeshiya Sabha (Finance and Administration) Rules, 1988, published in the Extraordinary Gazette No. 554/5 dated 17th April 1989			
(i) Rule 59	Although a survey of businesses and industries in the area of authority should be conducted at the beginning of each year and actions should be taken to collect trade license revenue, this had not been done accordingly.	According to survey reports, actions have been taken to collect licenses fee and industrial taxes.	Actions should be taken according to the rules of the Pradeshiya Sabha.
(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 along with the accounts.	A statement stating the reasons will be submitted in the future.	Actions should be taken according to the rules of the Pradeshiya Sabha.
(iii) Rule 218	Land and buildings costing Rs. 170,131,780 had not been surveyed once in every year.	Necessary action will be taken for the survey in the future.	Actions should be taken according to the rules of the

- (c) Provisions of the National Environment Act No. 47 of 1980 and Gazette No. 533/16 of 25th February 2008 Cases of businesses operating without a valid environmental permit were observed. According to the survey report in next year, necessary action will be taken to identify all business establishments and issue licenses. Action should be taken in accordance with the provisions of the Environment Act and the corresponding Gazette notification.

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.17,019,630 as compared with the excess of revenue over recurrent expenditure amounted to Rs 10,082,224 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 Chaiman 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	2024				2023			
	Estimated Revenue Rs..000	Revenue billed Rs..000	Revenue Collected Rs..000	Arrears as at 31December Rs..000	Estimated Revenue Rs..000	Revenue billed Rs..000	Revenue Collected Rs..000	Arrears as at 31December Rs..000
Rent	5,513	6,407	7,346	94	5,646	7,093	6,923	1,033
License Fees	820	809	809	-	845	717	717	-
Other revenue	<u>16,297</u>	<u>20,694</u>	<u>21,435</u>	<u>4,397</u>	<u>14,900</u>	<u>17,108</u>	<u>16,367</u>	<u>5,138</u>
Total	<u>22,630</u>	<u>27,910</u>	<u>29,590</u>	<u>4,491</u>	<u>21,391</u>	<u>24,918</u>	<u>24,007</u>	<u>6,171</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
Sufficient attention had not been paid to the recovery of arrears of shop rent, arrears of court fines, and arrears of stamp duty that had been outstanding for many years.	Necessary action will be taken to collect the revenue in arrears.	Action should be taken to recover arrears of revenue promptly.

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.

3.2

Audit Observation	Comments of the Sabha	Recommendation
Under Section 126 of the Pradeshiya Sabha Act, by-laws were to be enacted to carry out 28 main matters, but as of December 31, 2024, by-laws had been enacted for only 05 matters.	No answers	Actions should be taken in accordance with the provisions of the Pradeshiya Sabha Act.

Management inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
Although only 05 development permits were issued from 2022 to 31st December 2024, it was observed that these activities were not well regulated as no unauthorized constructions were detected by the Sabha.	In the future, all unauthorized constructions will be inspected and necessary legal action will be taken.	Land development activities should be regularized and unauthorized construction should be prevented.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
(a) The crematorium constructed by the Pradeshiya Sabha in 2014 at a cost of Rs. 19,000,000 remained unused during the year under review. The crematorium had been constructed without any study regarding the road being flooded.	The crematorium will be renovated and utilize in the future.	Every action should be taken to complete the deficiencies and make the crematorium into usable condition.
(b) 09 vehicles owned by the Sabha were parked unused, and 07 of them were in need of repair.	The necessary actions will be taken to repair the vehicles after securing the necessary financial provision.	Assets should be managed well.

3.4 Assets Management.

Audit Observation	Comments of the Sabha	Recommendation
11 vehicles worth Rs.41,388,101 received by Seruwila Pradeshiya Sabha under the Asset Management Project No. 02/2017 dated 21st December 2017 and already in use by the Sabha, had not been transferred to the name of the Sabha by the audit date.	The necessary Actions will be taken to take over the vehicles by the Sabha.	The ownership of the relevant vehicles should be taken over to the name of the Sabha and asset management should be formalized.

3.5 Resources released to other organizations

Audit Observation	Comments of the Sabha	Recommendation
According to Section 19(XII) of the Pradeshiya Sabha Act No. 15 of 1987, the prior approval of the Minister responsible for Local Government Affairs was required to be obtained when granting a portion of the land or building belonging to the Sabha on a long-term lease basis for a period exceeding 03 years. However, long-term lease agreements for 20 years had been entered upon with Sino Lanka Power General Private Limited without the prior approval of the Minister responsible for the relevant subject matter.	The Commissioner of Local Government has given written instructions to sign agreements stating that the Governor of the Eastern Province has given approval for the installation of solar panels, and action has been taken in accordance with those instructions.	Agreements should be amended in a way that generates income and legal advice should be followed.

3.6 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
When considering the approved staff of the Sabha and the actual number of employees, it was revealed that there were 14 vacancies in 11 posts. No attention had been paid to filling these vacancies promptly or revising the approved number of employees.	Requests have been submitted to fill vacancies.	Action should be taken immediately to fill the vacancies

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Sabha	Recommendation
Internal audits were established but were not at a functional level.	Further actions will be taken to maintain internal audit efficiently and effectively.	Internal audit should be made systematic and efficient.

4.2 Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
It was observed that the budget document had not been used as an effective control tool, as variations ranging from 14 percent to 421 percent in 06 revenue subjects and 12 percent to 73 percent in 06 expenditure subjects were observed when comparing the estimated income and expenditure with the actual income and expenditure as per the budget document prepared for the year under review.	No answers	The budget should be prepared realistically.

4.3 Environmental Problems

Audit Observation	Comments of the Sabha	Recommendation
It was observed that wild animals consumed the waste and non-biodegradable waste was scattered throughout the area due to reasons such as the collection of collected waste without sorting it, disposal of waste in bare environment, the non-continuation of the recycling process, and the failure to adopt a disposal method appropriate to the area in accordance with the amendments made to the National Environment Act No. 47 of 1980,	Attention will be paid to this matter in the future and necessary actions will be taken.	Waste management activities should be formalized in accordance with the National Environment Act.

4.4 Sustainable Development Goals

Audit Observation	Comments of the Sabha	Recommendation
Although the Sabha had identified the Sustainable Development Goals, targets and relevant criteria included in the Sustainable Development Act No. 19 of 2017, no Actions had been taken to implement 07 Sustainable Development Goals in a timely manner during the year under review.	The Sabha has identified the Sustainable Development Goals and relevant criteria included in the Sustainable Development Act No. 19 of 2017, and actions has been taken to utilize and implement 07 Sustainable Development Goals in a timely manner during the year under review.	Sustainable development goals, targets and related criteria should be achieved.