Tambalagamuwa Pradeshiya Sabha -2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Tambalagamuwa 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 Tambalagamuwa 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 includes 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)	Although the total interest payable to the Local Credit Development Fund during the year under review was Rs. 5,476,388, the liabilities for the year were understated by Rs. 944,890 as it was stated as Rs. 4,531,498 in the financial statements.	This fact will be disclosed in the financial statements for the year 2024.	The correct liability value should be disclosed in the financial statements.
(b)	During the year under review, assets worth Rs. 330,000 were understated in the motor vehicle account.	Action will be taken to disclose this in the final Account.	The correct value of vehicles should be disclosed in the financial statements.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the failure to submit documentary evidence relating to 03 fixed asset account subjects totaling Rs. 190,061,817, it was not possible to satisfactorily examine them.	Action will be taken to properly maintain the fixed asset register.	Action should be taken to maintain evidence of assets and maintain records properly.

1.7 Non- Compliances

1.7.1 Non-compliance with Laws, Rules and Regulations

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

	Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka 571 (1), (2), (3)	The Sabha had not taken actions to return 15 deposits worth Rs. 6,500,063, which had been lapsed for more than 02 years, to the relevant persons or transfer them to the revenue account.	Since all 15 deposits you have disclosed have been brought forward for a very long time, In order to resolve the issue of the lack of details of the depositors, general notices have been issued and displayed to the public. Necessary will be taken to transfer the unreturned deposits to revenue.	Necessary action should be taken in accordance with financial regulations.
(b)	Rule 5 (XII) of the Pradeshiya Sabha (Finance and Administration) Rules, 1988	No action had been taken to recover the security deposit from the 08 officers who were required to provide the security deposit.	The security deposits will be collected from officers who are required to provide security deposits from next month onward.	Necessary action should be taken as per the rules.

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. 17,281,670 as compared with the excess of revenue over recurrent expenditure amounted to Rs .6,998,328 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 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 Estimated Revenue	2024 Revenue billed	2024 Revenue Collected	2024 Arrears as at 31 December	2023 Estimated Revenue	2023 Revenue billed	2023 Revenue Collected	2023 Arrears as at 31 December
		Rs.	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i)	Rates and Taxes	1,000	-	-	-	300,000	-	-	-
(ii)	Rent	10,461,750	7,371,500	6,194,500	1,177,000	9,623,000	6,203,000	5,994,000	209,000
(iii)	License fee	1,359,000	1,359,000	1,359,000	-	1,274,000	1,273,000	1,273,000	-
(iv)	Other revenue	812,000	753,551	753,551	-	715,000	-	623,000	-
	Total	12,633,750	9,484,051	8,307,051	1,177,000	11,912,000	7,476,000	7,890,000	209,000

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Sabha are given below.

Audit Observation	Comments of the Sabha	Recommendation
Although the Pradeshiya Sabha had an area of 244.45 square kilometers and a population of 36,728, the assessment tax was estimated at only Rs. 1,000 and the assessment tax had not been published in the Gazette and collected.	Necessary action will be taken to initiate preliminary action regarding the levy of assessment taxes and publish them in the Gazette.	The process of publishing the levy of assessment tax in the Gazette should be expedited.

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 Public 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 Sabha	Recommendation
(a)	Although a place was constructed at a cost of Rs. 803,520 to install the machine worth Rs. 1,500,000 purchased in 2021 with the aim of improving organic fertilizer production, action had not been taken for more than 4 years to install the machine at the relevant place and commence the organic fertilizer production process.	Due to the fact that the infrastructure work is not completed, the machines are in a state where they cannot be used. Therefore, it can be used after the relevant work is completed.	Actions should be taken to effectively utilize organic fertilizer production machinery to achieve the relevant objectives.

(b)	The Sabha had written off Rs. 358,133 due from the butcher shop lessees during the Covid-19 period, without taking action in accordance with Section 182 of the Pradeshiya Sabha Act to obtain the proper approval of the relevant Minister, and in violation of the provisions of the Act.	No answers.	Action should be taken in accordance with the provisions of the Pradeshiya Sabha Act.

3.2 Assets Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The Sabha had not taken any action for over 4 years to repair and reuse 07 vehicles owned by the Sabha or to sell them at auction.	Action will be taken to precede further action after receiving the report from the District Mechanical Engineer regarding all 7 vehicles belonging to the Sabha.	Necessary action should be taken to reuse or sell at auction.
(b)	No action had been taken to generate income by renting out the Thambalagamuwa Public Market building complex, which was built at a cost of Rs. 5,978,814.	It can be rented out and generate income when needs arise in the future.	Immediate action should be taken to rent out the public market building complex and generate income.

3.3 Resources released to other organizations

Audit Observation	Comments of the Sabha	Recommendation
In 2024, the Sabha had Rs. 9.5 million in fixed deposits, but the sabha could have implemented the project to install solar energy panels by utilizing that money and other sabha funds, and generated 100 percent revenue. Instead, an agreement had been signed with a private company to install solar panels on the roof of the Sabha building, providing the Sabaha with a revenue range of 6 to 18 percent. The agreement to give 82 percent to 94 percent of the revenue generated to the private company was made in violation of the Pradeshiya Sabha rules.	I will continue to monitor to ensure that such mistakes do not occur in the future.	Action should be taken in accordance with the Pradeshiya Sabha Act.

3.4 Identified Losses

Audit Observation	Comments of the Sabha	Recommendation
The Sabha had not taken any action to recover the loss from the officer by conducting disciplinary investigations within the prescribed time frame for not handing over 05 receipt books used for collecting money and the money collected through those receipts to the Sabha during the period 2013/2014.	A committee has been appointed to conduct preliminary investigations with the aim of conducting a formal disciplinary investigation, and further action is being taken through that committee.	Action should be taken to promptly recover the losses from the officials who caused the loss of revenue.

4. Accountability and Good Governance

4.1 Sustainable Development Goals

Audit Observation	Comments of the Sabha	Recommendation
While four goals had been identified as sustainable development goals, other goals that could be achieved through the economical and efficient utilization of resources had not been identified and a plan had not been prepared to achieve them physically.	Action will be taken to pay more attention to these in the future.	Action should be taken to prepare a plan to achieve the Sustainable Development Goals.