Town & Gravest Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Town & Gravest 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 Town & Gravest 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 Statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(**a**)	The balance of medicine stock held by the Ayurvedic hospitals of the Sabha as at the end of the year under review, amounting to Rs. 7,709,382, had not been disclosed as assets in the financial statements.	They will be shown as assets in future financial statements.	The inventory balance should be disclosed as an asset in the financial statements.
(b)	The total amount of Rs. 14,317,172 payable for capital expenditure on buildings, furniture and development works constructed during the year under review had not been disclosed as liabilities in the financial statements.	These will be shown separately in the future.	The amount payable should be shown as a liability in the financial statements.

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 etc. are as follow

	Reference to Laws, Rules and Regulations	Non compliance	Comments of the Sabha	Recommendation
(a)	Section 182 of the Pradeshiya Sabha Act No. 15 of 1987	Although the advance write off should have been made with the approval of the Minister in charge of the subject, advances of Rs. 2,356,250 given during the period 1990 - 2013 had been written off without the approval of the Minister in charge of the subject.	All advances received from 1990 to 2013 were removed from the financial statements of 2019 in compliance to the decision by the Sabha in 2019.	Actions should be taken to obtain the approval of the Minister in charge of the subject to write off the advances.

(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka 571 (1), (2), (3)	The Sabha had not taken action to refund 98 deposits worth Rs. 28,387,783, which had been lapsed for more than 02 years, to the relevant persons or transfer them to the income account.	Instructions have been given to examine and take action regarding the lapsed deposits held at the head office and sub-branches, and corrective measures are being taken.	The types of deposits should be identified and actions should be taken to settle them promptly.

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. 21,581,807 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 66,570,633 in the preceding year.

2.2 Revenue Administration

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

The detail 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

		2024				2023			
	Source of Revenue	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	34,483,815	56,603,509	22,875,868	33,727,641	35,967,000	52,318,980	23,967,875	28,351,105
(ii)	Rent	15,995,000	6,981,121	4,327,697	2,653,424	8,007,200	8,550,642	7,289,032	1,261,610
(iii)	License Fees	9,640,710	3,099,195	2,996,445	102,750	8,406,080	8,181,985	8,181,985	-
(iv)	Other revenue	3,676,400	2,534,934	2,534,934	-	3,542,500	3,346,838	1,260,727	-
(v)		----------	----------	----------	----------	----------	-----------	----------	----------
		63,795,925	69,218,759	32,734,944	36,483,815	55,922,780	72,398,445	40,699,619	29,612,715

2.2.2 Revenue Administration

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

Audit Observation	Comments of the Sabha	Recommendation
(a) Rates and Taxes The Sabha had not taken action for a period of more than 01 to 08 years to collect the arrears of assessment tax of Rs. 33,727,641 as at the end of the year under review.	The public is being informed through leaflets and loudspeakers, and red notices are being issued for properties with large arrears.	Actions should be taken to promptly collect arrears of assessment taxes.

(b) Rent

The Sabha had not taken any action to recover the total amount of Rs. 2,653,424 in rent and rent from business premises, hostels and markets from 2014 to the end of the year under review.	Letters have been sent to the Sub-office regarding rent and rent from businesses premises, hostels and markets. Therefore, action will be taken to recover the amount through the Revenue Inspector.	Action should be taken to collect arrears promptly.

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 people 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)	Outsiders have been residing in 03 hostels belonging to the Wellaimanal Sub-office for over 40 years and the Sabha has not taken any legal action against them.	A review of the hostels belonging to the Wellaimanal Sub-office will be conducted and a report will be issued.	Legal action should be taken to remove the outsiders.
(b)	During the year under review, Rs. 514,940 had been spent on installing and renting GPS technology for 14 Sabha vehicles on 22 March 2021, by entering into an agreement with Mobitel. However, the Sabha had not maintained records of the movement and usage of the vehicles through GPS.	The GPS system installed in our Sabha vehicles has been cancelled due to its failure to function properly and will be operated under direct supervision.	Action should be taken to implement the program so that awareness about vehicles and their use can be raised.

3.2 Abandoned projects

Audit Observation	Comments of the Sabha	Recommendation
The dog grooming center, which was built by the sabha in Konespuram in 2023 at a cost of Rs. 9,667,116, has now been abandoned without any use or maintenance.	A private institution had performed sterilization surgeries on dogs in March and released them. Also, this place will be utilized according to future needs.	Appropriate action should be taken.

3.3 Assets Management.

Audit Observation	Comments of the Sabha	Recommendation
Actions had not been taken to take over the ownership of 19 vehicles, which were in the names of other ministries and departments, out of the 45 vehicles maintained by the Sabha.	Actions are being taken to assess its value in order to take over ownership.	Appropriate actions should be taken to take over ownership of the vehicles.

3.4 Delays in Project Activities or Capital work

Audit Observation	Comments of the Sabha	Recommendation
The Trincomalee Town & Gravest Divisional Secretariat had provided financial provisions of Rs. 1 million for the rehabilitation of the 100 perches of land allocated to the Sabha. Accordingly, the materials required for the fence construction were purchased on December 02, 2021 at a cost of Rs.772,500, and the construction of the fence had not been completed by the middle of the year 2025.	The disposal of this waste has increased the risk of wild elephant access. The investment in the construction of the elephant fence has been delayed due to the failure of the relevant institution to complete the land title documents. This has resulted in delays as the fences being constructed by the Sabha may be damaged.	Appropriate action should be taken immediately

3.5 Resources Released to Other Organizations

Audit Observation	Comments of the Sabha	Recommendation
In the year 2024, the sabha had Rs. 31 million in fixed deposits, but the sabha could have implemented the project to install solar energy panels by utilizing that money and other funds of the sabha and generated 100 percent revenue. Instead, agreement had been entered upon with a private company to install solar energy panels on the roof of the Sabha building and generate only revenue ranging from	The former Honorable Governor gave instructions for the Solar Power System project and the agreement was signed by our Sabha in accordance with the letter of the Commissioner of Local Government No. EP/14/CLG/Rooftop. Solar/2024 dated 08 July 2024.	Appropriate action should be taken in accordance with the Pradeshiya Sabha Act No. 15 of 1987.

06 to 18 percent for the Sabha. Accordingly, the agreement to provide 82 percent to 94 percent of the revenue to the private company was made in violation of the Pradeshiya Sabha rules.		

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Audit Observation	Comments of the Sabha	Recommendation
Although it was stated that the financial statements for the year under review should be submitted to the Auditor General before 28 February 2025 in terms of Provincial Treasury Circular No. PT/18/2022 dated 15 December 2022, the Sabha had submitted the financial statements for audit on 28 March 2025. Also, the annual performance report had not been submitted with the financial statements in terms of Section 16(2) of the National Audit Act No. 19 of 2018.	The financial statements will be submitted for audit on the due date in the future.	Action should be taken to submit the financial statements to the Auditor General on or before the due date.

4.2 Internal Audit

Audit Observation	Comments of the Sabha	Recommendation
In accordance with Management Audit Circular No. DMA/01-2019(i) dated 24 December 2021, the Internal Auditor had not prepared the Internal Audit Program.	The audit program for the year 2025 was prepared at the 4th quarter Management Audit Committee meeting, on the instructions of the Audit Superintendent.	Action should be taken to prepare an internal audit program.