

Verugal Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Verugal 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 Verugal 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 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 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The total salary reimbursement amounting to Rs. 1,901,973 for the month of December of the year under review was not disclosed in the financial statements..	Action will be taken to prevent such errors in the future.	Salary reimbursements should be shown in the financial statements as receivable.
(b) The value of computers and computer accessories worth Rs.1,063,003 received as donations in the year 2022 had not been accounted for and disclosed in the financial statements.	It will be corrected in the financial statements prepared for the year 2025	The value of assets received as donations should be included in the financial statements.

1.7 Non- Compliances

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) Financial Regulations of the Democratic Socialist Republic of Sri Lanka 371(5)	No actions were taken to identify the relevant parties Regarding the total advances given between 2008 and 2019 amounting to Rs. 625,999 and settle them.	The adjustments will be made according to the relevant financial methods.	Relevant actions should be taken in accordance with financial regulations.

(b)	Finacial Regulations 571(1), (2), (3)	Action had not been taken to return 65 deposits totaling Rs.1,291,415 that had been lapsed for more than 02 years to the relevant individuals or to transfer them to income.	Action will be taken to return the money to the relevant persons in accordance with the financial regulations, and immediate action will be taken to transfer undocumented, unidentified deposits to revenue.	Action should be taken to identify and settle lapsed deposits.
-----	---------------------------------------	--	---	--

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. 10,782,235 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 645,616 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				2023			
		Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	125,000	90,000	--	90,000	80,000	78,000	75,239	2,760
(ii)	Rent	9,395,000	5,616,393	5,458,752	157,641	1,447,000	2,002,820	1,226,716	926,220
(iii)	License Fees	11,516,500	10,909,258	8,823,567	2,085,691	1,067,000	1,345,490	1,345,490	--
(iv)	Other revenue	949,500	9,871,963	2,259,630	--	288,500	--	1,828,906	--
		-----	-----	-----	-----	-----	-----	-----	-----
	Total	<u>21,986,000</u>	<u>26,487,614</u>	<u>16,541,949</u>	<u>2,333,332</u>	<u>2,882,500</u>	<u>3,426,310</u>	<u>4,476,351</u>	<u>928,980</u>

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
As of December 31st, of the year under review, the total of shop rent, drinking water supply charges and machinery rent worth Rs.65,580, were in arrears, but no action had been taken to recover this balance.	Reminder letters will be sent to the relevant individuals again to pay the outstanding amounts, and if there is no progress after that, legal action will be taken against the relevant individuals.	Actions should be taken to recover arrears immediately.

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 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
The 40,000 liter water treatment plant's treatment machine was repaired during the year under review at a cost of Rs. 500,000, but it was not possible to obtain proper benefits from it.	This was repaired on the basis that it was an asset of the sabha under the PSDG program in 2024, based upon the need for repair.	Efforts should be made to obtain an economic return on the repair cost.

3.2 Resources released to other organizations

Audit Observation	Comments of the Sabha	Recommendation
Although it was possible to generate 100 percent revenue by utilizing the sabha's assets, instead of doing so, an agreement had been entered upon with a private company to install solar panels on the roof of the Sabha building and receive a revenue ranging from 6 to 18 percent to Sabha, while the private company receive 82 to 94 percent of the revenue, which is contrary to the rules of the Pradeshiya Sabha.	The agreements for the installation of solar energy panels were signed as per the instructions of the then Honorable Governor.	Necessary action should be taken in accordance with the Pradeshiya Sabha Act No. 15 of 1987.

4. Accountability and Good Governance
4.1 Presentation of Financial Statements

Audit Observation	Comments of the Sabha	Recommendation
Although the Provincial Treasury Circular No. OPT/14/2021 dated 15 November 2021 stated that the financial statements should be submitted to the Auditor General before 28 February, the financial statements for the year under review were submitted for audit on 29 April 2025. Also, the annual performance report had not been submitted with the financial statements in accordance with subsection 16(2) of the National Audit Act, No. 19 of 2018.	The financial statements will be submitted on the due date this year.	Actions should be taken to submit financial statements on or before the due date.