Alayadivembu Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Alayadivembu 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Alayadivembu 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 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 this report. I believe that the 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 Practices and for such internal control as management determine 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 Sub-section 16 (1) of the 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.

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 judgment and maintain professional scepticism throughout the audit. I also:

- Designed and performed the appropriate audit procedures, identified and assessed 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.

- Obtained an understanding of internal control relevant to the audit 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 internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Evaluated 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 of information 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 directions issued by the governing body of the Pradeshiya Sabha

- 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 Other Legal Requirements

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

(a) The financial statements of the Pradeshiya Sabha presented is consistent with the preceding year as per the requirement of 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)	According to the Board of Survey report for the year under review, the cost of capital goods sold at auction for	Action will be taken to reduce it from the financial	Action should be taken to correct the accounts..

	Rs. 15,150 and the value of 141 books written off had not been calculated and deducted from the financial statements.	statements in the future.	
(b)	Fuel expenses payable for the month of December of the year under review amounting to Rs. 144,430 were not disclosed in the financial statements.	Action will be taken to show those expenses in the financial statements as payable, in the future.	-Do-
(c)	Although the bill for the photocopier purchased for Rs. 259,000 in the year under review was received on 08 August 2024, that value was not shown as a liability in the financial statements.	Action will be taken to show those expenses as payable in the future.	-Do-
(d)	The final bill payments of Rs. 1,608,838 for the multi-purpose building constructed under the LDSP program were not disclosed in the financial statements.	It will be shown as liabilities in the future.	-Do-
(e)	The court fines receivable for the months of November and December of the year under review and the stamp duty income for the period from January to December had not been calculated and disclosed in the financial statements.	Immediate action will be taken to recover the receivables without delay.	Action should be taken to correct the accounts.

1.7 Non- Compliances

1.7.1 Non-compliance with Laws, Rules and Regulations

	Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a)	Section 128 of the Pradeshiya Sabha Act No. 15 of 1987	Action had not been taken to identify and take over the property used by the Sabha	No answers.	Action should be taken in accordance with the provisions of the Act.
(b)	Pradeshiya Sabha (Finance and Administration) Rules, 1988			

(i) Rule 5(xii)	Action had not been taken to obtain security deposits from officers who sign cash and cheques, revenue collection officers, and officers dealing with storage materials, etc.	No answers	Financial and administrative rules should be followed.
(ii) Rule 59	The Revenue Inspector of the Sabha had not taken steps to prepare a survey report on the businesses at the beginning of each year and submit it to the Secretary of the Sabha on or before March 31.	No answer	-Do-
(iii) Rule 81	Action had not been taken to send applications for reimbursement of stamp duty on land transactions to the Registrar General at the end of each quarter.	No answer	Financial and administrative rules should be followed.

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 amounted to Rs. 8,274,731 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 3,477,087 in the preceding year

2.2 Revenue Administration

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

Information 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 ශ
		Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i)	Rates and Taxes	4,500,000	1,546,992	1,440,688	106,303	2,500,000	1,151,488	1,104,579	46,909
(ii)	Rent	4,850,000	3,592,034	3,031,511	560,513	5,950,000	6,181.187	5,542,903	666,783
(iii)	License Fees	1,195,000	1,116,705	1,100,025	16,680	1,195,000	692,090	675,410	16,680
(iv)	Other revenue	3,820,000	2,197,998	2,197,998		11,910,000	11,550,940	11,550,940	
	Total	14,365,000	8,453,729	7,770,222	683,496	21,555,000	19,575,705	18,873,832	730,372

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
(a)	The Sabha had brought forward Rs.560,513 in arrears of meat stall rent due from 1988 to 2022 in the financial statements, but no action had been taken by the Sabha to recover or write off that balance from the books.	Actions are being taken to write off the value you mentioned, from the books.	Action should be taken to recover or write off meat shop rents that have been outstanding for a long time.
(b)	An estimated Rs. 7,500,000 had been collected for garbage tax and Rs. 2,184,985 had been collected. This estimated value had not been calculated based on the list of residents and shopkeepers who were actually to be collected.	Action will be taken to prepare formal solid waste records from next year and collect them from homeholders, shopkeepers and hotels.	Proper records should be maintained and collections should be made in a formal manner.
(c)	Although Rs. 135,625 was collected for advertisement boards from 18 business premises during the year under review, by-laws had not been formulated or formal permission had not been obtained to collect fees for advertisement boards existing in the remaining business places in order to increase the revenue of the Sabha.	Action will be taken to collect fees from the advertising boards installed at business premises mentioned in the Trade License Fees List.	Action should be taken to obtain formal permission and make the charges.

(d)	The Sabha had not taken action to calculate, submit requests and obtain the stamp duties from January to December 2024 and the court fines for the months of November and December 2024 within the stipulated time periods.	Immediate action will be taken to collect stamp duty and court fines without delay in the future.	Action should be taken to claim and collect revenue in accordance with the Act.

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 Un-economic Transactions

Audit Observation	Comments of the Sabha	Recommendation
The Sabha had paid Rs. 200 for 1 ton of biodegradable waste collected in the area and Rs. 300 for 1 ton of non-biodegradable waste. If the Sabha had used the solid waste collected daily from the public for the production of organic fertilizer, the money paid for the waste disposal could have been saved. Failure to carry out such operations resulted in the payment of Rs. 418,826 as waste disposal charges and additional costs for transporting the waste during the year under review.	Currently, our Sabha has fully implemented measures to sort and receive the collected waste.	Steps should be taken to sort and collect waste, and action should be taken to use that waste for the production of organic fertilizer.

3.2 Management inefficiencies

Audit observation	Comments of the Sabha	Recommendation
Although Notifications had been sent through letters informing that the Sabha is required to pay Rs. 492,634 to the Department of Pensions until July 2024, no information was available in the Sabha regarding this. However, the Sabah had not taken any action to verify the true status of the Actual postion.	Letters have been sent to the Pensions Department requesting details of the correct value.	The amount to be paid should be inquired and clarified with the Department of Pensions and further action should be taken.

3.3 Idle or underutilized Property

Audit Observation	Comments of the Sabha	Recommendation
Oil milling machinery worth Rs.	The machinery is	Action should be taken

	3,297,000 had been purchased in the previous year but had not been utilized by the end of the year under review.	currently being operated under contract with a women's organization through the Alaiyadiwembu Divisional Secretariat.	to utilize that machinery.

3.4 Asset Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The cost and revalued values of 30 lands, buildings and vehicles owned and used by the Sabha had not been calculated and recorded in the fixed assets register.	Action will be taken to revalue and update it in the future.	Action should be taken to revalue and record it in the fixed asset register.
(b)	The Sabha had not taken action to repair and reuse 04 vehicles belonging to the Sabha or to sell them at auction.	Information regarding the sale of damaged vehicles at auction will be forwarded to the Local Government Department and action will be taken accordingly.	Action should be taken to repair and reuse vehicles or sell them at auction.

3.5 Procurements Management

Audit Observation	Comments of the Sabha	Recommendation
Computers, printers and other equipment purchased for the E-Library and office use at a cost of Rs. 947,000 during the year under review by the Sabha had not been verified by parties with expert knowledge as to whether they were of the required quality.	In the future, payments will be made only after receiving the goods and receiving the committee report.	The condition of the relevant equipment should be confirmed by parties with expert knowledge.

3.6 Defects in Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
The Sabha had not completed the renovation of the building located in the office premises, which was estimated at Rs. 8,181,057 and completed at a cost of Rs. 9,523,092 under the LDSP program, while work worth Rs. 962,257 had not been completed. Last year, a coconut oil production unit was established by installing machinery purchased with	Since the need for G4 arose during the renovation of the building, that work was completed and currently this project has been contracted with the Youth Organization of the People's Progressive	Action should be taken to implement coconut oil production.

LDSP funds, but the project had not been implemented due to a lack of raw materials.	Development Association, and steps have been taken to commence work on the project after a rehearsal.

3.7 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
The Sabha had not taken action to recover or take appropriate action against the outstanding distress loans of Rs. 65,069 from 04 employees, which had not been collected for a long time.	Action will be taken to recover and settle the loan balance in the future, when these officers receive their gratuities.	Action should be taken to recover outstanding balance

3.8 Vehical Utilization

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Action had not been taken to acquire the ownership of 07 vehicles to the Sabha which is used by the Sabha	Actions are being taken to acquire the ownership of a vehicle in the name of the Sabha	Action should be taken to acquire the ownership of the vehicles in the name of the Sabha.
(b)	Although 04 vehicles owned by the Sabha had been damaged, the Sabha had not taken steps to repair and reuse them, or to take appropriate action.	Action will be taken to repair vehicles that can be repaired and the rest will be sold at auction.	The Sabha should take actions to reuse or take appropriate action.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Sabha	Recommendation
In the 46th meeting of the sabha held on 11 January 2022, three officers were appointed to carry out internal audit activities in accordance with Resolution No. 46/05. But, the recommendations had not been made to promote the operational process of the institution and enhance its performance through internal audit, in accordance with Section 30 of the National Audit Act No. 19 of 2018 and Financial Regulation 133(1).	Three senior officers will be appointed to conduct internal audit activities and steps will be taken to seek advice from you in conjunction with the improvement of the institution's operational processes.	Action should be taken to increase the effectiveness of internal audit.

4.2 Sustainable Development Goals

Audit Observation	Comments of the Sabha	Recommendation
No action had been taken to identify sustainable development goals and establish indicators for measurement. Furthermore, the Sabha had not taken action to provide the necessary financial provisions to achieve the sustainable development goals in the budget of the year under review.	The Sabha has identified sustainable development goals and has made financial provisions for them in the budget..	Actions should be taken to provide the necessary financial provision to achieve the Sustainable Development Goals.

4.3 Solid Waste Management

Audit Observation	Comments of the Sabha	Recommendation
Under the Provincial Specific Grant Development Program, the Organic Fertilizer Processing Center in Kannagipuram was constructed at a cost of Rs. 1,253,940 in the year 2016 and machinery for the processing of organic fertilizer was purchased at a cost of Rs. 1,210,000 in the year 2018. However, as of the date of audit, the relevant machinery was still unused, and no action had been taken to operate the center for more than 07 years, and the financial provisions made for this specific purpose remained idle.	Arrangements have been made to hold the final phase of awareness meetings with the people of Kannagipuram this year. If the people continue to protest even after that, action will be taken to hand over the organic fertilizer processing machine to an appropriate municipal council/urban council/Pradeshiya sabha/ with the approval of the Sabha	Before starting any project, a feasibility study should be conducted and the project should be implemented.