Addalaichenai Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Addalaichenai Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Balance Sheet as at 31 December 2024, Income and Expenditure Account, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 the 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 Addalaichenai Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practices

1.2 Basis for Qualified Opinion

I expressed qualified opinion on the matters described in paragraph 1.6 of this report.

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 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 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.

1.4 Scope of Audit (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 exercised professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.

- Obtain 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 its internal control.

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

- 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 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 it 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 Statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	Stamp duty receivables of Rs.4,434,888 had been understated in the accounts during the year under review.	It is reported that difficulties have been arose in calculating the stamp duty for the relevant financial year.	Action should be taken to correct the accounts.
(b)	18 lands and buildings, 21 motor vehicles and tractors owned by the Sabha had not been assessed and their values had not been included in the accounts.	That the steps will be taken to assess and show it in the accounts.	Action should be taken to correct the accounts.

1.7 Non-compliance

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

	Reference to Laws, Rules, Regulations and Management Decisions etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Section 24 Sub-section 1(a) and (b) of Pradeshiya Sabha Act, No. 15 of 1987	The necessary steps had not been taken to prepare maps and post advertisements on the streets and roads maintained by the Sabha.	That necessary action will be taken in the future.	Actions should be taken in accordance with the provisions of the Act.
(b)	Pradeshiya Sabha (Finance and Administration) Rules, 1988			

	(i) Rule 5(xii)	No steps had been taken to obtain security deposits from 04 officers who sign cash and cheques, revenue collection officers, and officers involved in store	Security deposits has been collected from several officers and deposited. Steps have been taken to collect security deposits from other officers.	Steps should be taken to obtain security deposits from the relevant officials in accordance with financial and administrative rules.
	(ii) Rule 81	No arrangements had been made to send stamp duty reimbursement applications regarding land transactions to the Registrar General at the end of each quarter.	Currently, action had been taken to send stamp duty reimbursement applications for the relevant period.	Action should be taken according to the rules.
(c)	Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka 2006			
	(i) Section 2.11 (a)	The Procurement Committee and the Technical Evaluation Committee had not held joint meetings to reach agreements on the procurement schedule, procurement method and prices.	Arrangements have been made to hold joint meetings.	The guidelines should be followed.
	(ii) Section 5.4.12	Although the details of the VAT paid should have been reported to the Commissioner General of Inland Revenue on or before the 15^{th} day of the following month with a copy to the Auditor General, the details of the VAT paid to 04 suppliers in the year under review amounting to Rs.7,211,918 had not been reported as	Action will be taken to report to the Auditor General in the future.	- Do -

above.

2 Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of income over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs.19,682,690 compared to the excess of income over recurrent expenditure amounted to Rs.13,776,717 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 submitted, 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 Revenu Rs.**	**Revenue billed Rs.**	**Revenue Collected Rs.**	**Arrears as at 31 December Rs.**	**Estimated Revenue Rs.**	**Revenue billed Rs.**	**Revenue Collected Rs.**	**Arrears as at 31 December Rs.**
(i)	Rates and Taxes	250,000	198,170	198,170	-	350,000	167,235	167,235	-
(ii)	Rent	8,000,000	6,826,740	4,023,690	2,803,050	13,975,000	11,625,839	8,901,169	2,724,670
(iii)	License Fee	1,427,000	1,155,375	1,056,375	99,000	1,372,000	1,133,450	1,010,450	123,000
(iv)	Other Revenue	21,815,000	21,179,726	20,162,820	1,016,905	20,805,000	20,431,478	19,469,592	961,885
	Total	**31,492,000**	**29,360,011**	**25,441,055**	**3,918,955**	**36,502,000**	**33,358,002**	**29,548,446**	**3,809,555**

2.2.2 Performance in Collecting Revenue

The following are observations made on the performance in collecting revenue.

	Audit Observation	Comments of the Council	Recommendation
(a)	Although the outstanding rent of Rs.273,300, which had been awarded through tender, had been overdue for 10 years as of 31 December of the year under review, no steps had been taken to recover the amount or write it off from the books.	Since the relevant individuals cannot be identified, steps will be taken to write it off them from the books.	Steps should be taken to promptly recover outstanding income or to obtain approval and write it off from the books.
(b)	Arrangements had not been made to issue trade licenses for 101 shops located within the Sabha area.	That the deficiencies in the documents required to obtain the licenses will be corrected and the licenses will be issued this year.	Action should be taken to complete the deficiencies and issue licenses.

(c)	Although a sum of Rs.1,583,264 had been shown in the financial statements of the Sabha as stamp duty receivable from the year 2020, no action had been taken to recover that amount.	That the steps have been taken to request for stamp duty.	Appropriate action should be taken to recover stamp duty.

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 Council under Section 3 of the Pradeshiya Sabha Act are shown below.

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
Although the organic fertilizer production plant, Kawashima machinery and other machinery owned by the Sabha had been provided for a monthly rent of Rs.667,500 from 25 November 2022, no action had been taken to recover a sum of Rs.2,340,000 due from the Jeevashakthi Organic Fertilizer private company.	The council has decided to sell the remaining 6,000 bags of fertilizer in hand to get money and to take legal action against the relevant institutions.	Action should be taken to recover the money due.

3.2 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	Although the value of the lands and buildings, machinery, motor vehicles and furniture owned by the Sabha was stated as Rs.310,241,817 in the final accounts of the year under review, steps had not been taken to record the movable and immovable assets in the Land and Buildings Register and the Fixed Assets Register.	It has been updated through computer software and Action had been taken to update the fixed asset register.	Steps should be taken to maintain fixed asset records promptly.
(b)	Due to the failure to maintain the donation register, it was not satisfactory in the audit regarding the items received as donations to the Sabha.	Included in the inventory register. Arrangements have been made to record in the donation register.	A donation register should be started immediately.
(c)	The Sabha had not taken steps	While repairs are being	Arrangements

	regarding 14 Sabha owned vehicles to repair and utilize or to auction the vehicles that could not be repaired.	carried out on a priority basis, delays occur in the auction as unusable vehicles are in the names of donors.	should be made to auction vehicles that cannot be repaired.
(d)	A sum of Rs. 334,000 had been received up to the end of the year under review as a deposit from 162 beneficiaries in the Sabha area for the repair of damaged concrete and asphalt roads when obtaining water connections from the National Water Supply and Drainage Board, but the Sabha had not taken steps to refund the deposit after the roads were repaired.	Steps have been taken to refund the deposit money to the relevant beneficiaries for roads whose repairs have been completed, and steps have been taken to transfer the non-refundable deposit amount to revenue.	Necessary actions regarding deposits should be taken promptly.
(e)	No steps had been taken to transfer the land to the name of the Sabha, where a solid waste disposal site is located in Ashraf Town.	That the necessary documents have been submitted to transfer to the Sabha.	Steps should be taken to transfer the land to the name of the Sabha where the solid waste disposal site is located.
(f)	Necessary steps had not been taken to transfer the ownership of 07 vehicles to the name of the Sabha received as donations from the Ministry of Provincial Councils and Local Government and other institutions.	The necessary steps will be taken to transfer the relevant vehicles to the name of the Sabha, after obtaining the council's approval in the future.	Steps should be taken to transfer the ownership of the vehicles to the name of the Sabha.

3.3 Procurement Management

Audit Observation	Comments of the Council	Recommendation
The Pradeshiya Sabhas had spent a sum of Rs. 24,374,508 on supplies and services and repairs and maintenance of capital assets without preparing a procurement plan for the year under review in accordance with Section 4.2.1 of the Government Procurement Guidelines, 2006 and the Circular No. 128 dated 24 March 2006 of the Department of National Budget.	That the procurement guidelines will be followed.	Procurement activities should be carried out by preparing a procurement plan accordingly.

3.4 Deficiencies in Contract Administration

	Audit Observation	Comments of the Council	Recommendation
(a)	It was observed that due to the failure to plan and construct roads and drainage systems to allow proper drainage, there is a high risk of road accidents due to water accumulating on roads constructed in 2023.	That action has been taken to correct it.	Defects in the relevant roads should be corrected promptly.
(b)	The library building was constructed without the necessary space and facilities for the various sections of the library, such as the newspaper reading section, the reading book section, the children's section, the electronic library section, the information search section, and the stores section.	Action will be taken to build it in the upper floor Using the Sabha funds.	Steps should be taken to construct a library building with sufficient space to provide the relevant services.
(c)	Although it was stated in Section 1.2 of the Finance Commission Circular No. 2016/01 dated 30th December 2015 that Provincial and Local Government Councils should not use gravel or temporary road construction during road construction but should use carpet, tar or concrete so that it can be used for a long time, contrary to this circular, gravel was used for 05 roads at a cost of Rs. 2,525,523 using council funds.	This has been done as instructions were received from the Hon. Governor to repair these roads urgently.	According to the circular, when constructing roads, carpeting, asphalting or concrete should be used instead of laying gravel and constructing temporary roads, so that they can be used for a long time.

3.5 Human Resource Management

	Audit Observation	Comments of the Council	Recommendation
(a)	The council had constructed a pre-school building in the Thiraikeni area at a cost of Rs. 13,431,545 and although there was a vacancy for a pre-school teacher post according to the council's approved cadre, no steps had been taken to fill that vacancy.	Steps have been taken to inform to fill the vacancies in the Sabha through the Assistant Commissioner of Local Government and the Eastern Province Local Government Commissioner.	Action should be taken to fill the vacancies of pre-school teachers.

(b)	Although a sum of Rs. 91,672 should have been recovered from a deceased employee who had taken a loan from the Sabha, only Rs. 5,092 had been recovered by the end of the year under review.	That action will be taken to recover from the retirement gratuity.	Outstanding employee loans should be collected promptly.

4 Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Council	Recommendation
Although 04 officers had been appointed for internal audit, recommendations had not been prepared to promote the functioning of the institution through an internal audit in accordance with Section 40 of the National Audit Act No. 19 of 2018.	Necessary steps will be taken to conduct internal audits and report.	Internal audit should develop recommendations to promote performance and enhance efficiency.

4.2 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
Due to the failure to properly identify the revenue collected and revenue sources in the budget estimate in previous periods, 11 types of budgeted revenue could not be recovered in a range of 0 to 50 percent.	Revenue collection will be implemented efficiently and efforts will be made to collect the full revenue.	Income estimates should be prepared based on the actual income of the previous year.

4.3 Environmental Issues

	Audit Observation	Comments of the Council	Recommendation
(a)	53 trading establishments were engaged in trading activities up to the end of the year under review without renewing their environmental licenses as per the National Environmental Act No. 47 of 1980 as amended by	Action will be taken to update.	Environmental permits should be renewed in accordance with the relevant act.

	Act No. 56 of 1988 and Act No.53 of 2000.		
(b)	Environmental protection permits had not been obtained for the Sabha's solid waste collection center, slaughterhouse, and Kawashima plant by the end of the year under review.	That the steps are being taken to obtain environmental protection permits.	Environmental protection permits should be obtained.

4.4 Sustainable Development Goals

Audit Observation	Comments of the Council	Recommendation
The indicators needed to identify sustainable development goals and to achieve the objectives had not been identified.	That the steps will be taken to correct the shortcomings in the budget being prepared for the coming year.	Sustainable development goals, indicators and progress should be identified and measured in accordance with the Sustainable Development Act No. 19 of 2017.

4.5 Solid Waste Management

Audit Observation	Comments of the Council	Recommendation
Waste collected within the Sabha area and received from other Sabhas had been disposed of in the same place without being classified as biodegradable and non-biodegradable.	It will be classified and presented in the future.	For solid waste management, efforts should be made to utilize biodegradable waste for organic fertilizer production.