

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Irakkamam 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 Irakkamam 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)	Although there were 224 electric bulbs in the inventory at the end of the year under review, their value was not disclosed in the financial statements.	Action will be taken to show it in the future.	The inventory value must be accurately included in the financial statements.
(b)	The stamp duty of Rs.415,500 receivables for the year under review, had not been shown in the financial statements.	That the steps will be taken to correct this in the final accounts of 2024.	All income should be accurately included in the financial statements.

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)	Sub-sections 1 (a) and (b) of Section 24 of the 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.	Necessary action will be taken in this regard.	Action should be taken in accordance with the rules and regulations.

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.6,449,901 compared to the excess of income over recurrent expenditure amounted to Rs.826,053 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.

	Source of Revenue	2024				2023			
		Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	2,210,000	1,126,980	1,126,980	-	2,170,000	576,441	576,441	-
(ii)	Rent	1,705,000	1,199,352	1,074,635	124,717	2,805,000	863,350	863,350	1,094,473
(iii)	License Fee	1,310,000	1,236,110	1,236,110	-	1,260,000	1,106,810	1,106,810	-
(iv)	Other Revenue	5,530,000	5,053,275	4,637,775	415,500	4,530,000	3,016,175	3,016,175	-
	Total	10,755,000	8,615,717	8,075,500	540,217	10,765,000	5,562,776	5,562,776	1,094,473

2.2.2 Performance in Collecting Revenue

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

Audit Observation

Although the amount of Rs.1,029,223 outstanding from leases awarded through tenders as at 31 December of the year under review had exceeded 15 years, no steps had been taken to recover or remove it from the books.

Comments of the Council

This balance was shown in the accounts of the Samanthurai Pradeshiya Sabha. Details could not be obtained. Necessary steps will be taken to write off this amount.

Recommendation

Documents related to the outstanding amount should be obtained and should be written off with proper approval.

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
(a)	A fee of Rs. 100 is charged for each cattle slaughtered in the Sabha area, and no Sabha decisions had been taken regarding the fees, and the amount of the fees had not been determined to accommodate the costs of cleaning the slaughterhouse, fuel costs of vehicles and the holiday allowance of the Public Health Inspector, etc.	There is hope that fees will increase next year.	When determining cattle slaughter fees, fees should be determined to cover all costs.
(b)	Although there was a cash balance of Rs.5,493,944 from 2016 to 2022 and Rs.8,627,898 from 2023 to 2024, steps had not been taken to retain a sufficient amount for recurrent expenses and invest the remaining amount.	That necessary action will be taken in the future.	It should be used to increase the income of the Sabha.

3.2 Assets Management

Audit Observation	Comments of the Council	Recommendation
The value of 22 vehicles and tractors owned by the Sabha had not been assessed and accounted for.	That the necessary steps will be taken in the coming year.	The relevant work should be carried out urgently.

3.3 Vehicle Utilization

Audit Observation	Comments of the Council	Recommendation
(a) Steps had not been taken to transfer the ownership of 03 vehicles to the Sabha which were used by the Sabha.	This has been delayed as the documents for 02 vehicles provided by the Sammanthurai Pradeshiya Sabha have not been received and steps have been taken to take over one vehicle.	Urgent action should be taken to transfer ownership of the vehicles to the Sabha.

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| (b) | Revenue licenses and insurance coverage for 10 vehicles used by the Sabha had not been obtained by the end of the year under review. | Arrangements have been made to obtain licenses and insurance coverage for 06 vehicles. | Arrangements should be made to obtain to the remaining vehicles. |
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4 Accountability and Good Governance

4.1 Environmental Issues

Audit Observation

Although there were 20 commercial establishments, action had not been taken from 15 out of them to renew the environmental protection licenses in accordance with the National Environmental Protection Act No. 47 of 1980, as amended by Acts No. 56 of 1988 and No. 53 of 2000, and the regulations there under.

Comments of the Council

It is reported that 10 institutions have renewed their licenses and 8 institutions are in the process of renewing their licenses.

Recommendation

Environmental protection licenses should be renewed in accordance with the relevant act.

4.2 Solid Waste Management

Audit Observation

Although the council had collected 900 metric tons of solid waste annually, no steps had been taken to produce organic fertilizer using the biodegradable waste and sell it to sugarcane and paddy farmers.

Comments of the Council

Action will be taken in the future.

Recommendation

Waste should be managed and organic fertilizer should be produced.