Sammanthurai Pradeshiya Sabha - 2024
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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sammanthurai 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 Sammanthurai 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 Statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The construction and purchase of buildings during the year under review, amounting to Rs. 19,786,215, had not been shown in the financial statements as receivable from the Local Government Department and payable to contractors.	Payments had been made to contractors received from the Local Government Department at the beginning of April this year. This fact will be corrected in this year's financial statement.	Action should be taken to disclose receivables and payables in the financial statements as they ended in the year under review.
(b)	65 lands and buildings, 03 motorcycles, 17 vehicles and 09 trailers used by the Sabha had not been revalued and their actual value was not stated in the financial statements.	Action is being taken regarding these matters.	The property should be revalued promptly and its actual value should be disclosed in the financial statements.
(c)	Although the court fines receivable from September to December of the year under review were Rs. 2,857,828, they were stated as Rs. 1,680,559 in the financial statements.	The direct deposit of the amount due for the months of September and October of the year under review into the bank in January 2025 was disclosed in the financial statements erroneously. Adjustments will be made in the financial statements for next year.	The total value of court fines receivable should be disclosed in the financial statements.
(d)	The stamp duty receivables in arrears from November 2023 to December 2024 were not included in the financial statements as income.	Documents were sent for fee verification from January to May 2024, but details from June to December were not provided by the Lands Department.	According to the financial and administrative regulations of the Sabha, stamp duty income should be disclosed in the financial statements every quarter.
(e)	The public market rent revenue was under-stated in the financial statements by Rs. 190,027.	Revenue of Rs. 190,027 collected by a Sabha officer due to non-renting out the Malwatte Public Market had disclosed in its financial statement. This would be	Actual income earned should be disclosed in the financial statements.

		corrected from the accumulated fund next year.	

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
There was a difference of Rs. 1,548,099 between the balance in the records maintained by the Sabha and the balance as per the financial statements during the year under review.	Action has been taken to compare the balance of the meat stall rent registry with the balance in the financial statement and to write off Rs. 548,086 given as an advance.	Immediate action should be taken to identify and correct differences between the balances in the registry and the balances in the financial statements.

1.6.3 Transactions not supported by adequate authority

Audit Observation	Comments of the Sabha	Recommendation
On June 26, 2024, the Sabha had paid Rs. 1,500,000 as pension contributions, but the Sabha did not have supporting documents such as employee details, outstanding balance and payment period for that amount...ect	According to the inquiry made by the Department of Local Government in response to the letter from the Department of Pensions, details of employees who worked in the Department of Local Government before September 3, 1993 were inquired from the Samanthurai, Irakkamam and Navidanveli Divisional Secretariats, but the details could not be obtained.	Payments should be made after verifying the documents before making the payment.

1.7 Non- Compliances

1.7.1 Non-compliance with Laws, Rules and Regulations

	Reference to Laws, Rules Regulations	Non-Compliance	Comments of the Sabha	Recommendation
(a)	Section 136 of the Pradeshiya Sabha Act No. 15 of 1987	Although the total value of the lands and buildings of government-owned institutions located within the Sabha area had been assessed at Rs. 669,615, the Sabha had not	K forms are sent to those government institutions annually, and some institutions pay them properly. However, some	In accordance with the provisions of the Act, steps should be taken to collect assessment taxes from

		taken steps to collect assessment tax from those institutions.	institutions are negligent in this regard.	appropriate government institutions.
(b)	1988 Pradeshiya Sabha Finance and Administration Rules			
	(i) 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.	Letters have been sent regarding the relevant matter. Action will be taken to send letters once a quarter in the future.	Financial and administrative rules should be followed.
	(ii) Rule 193	The, statement including explanations for the variances by comparing the actual income and expenditure of the year under review with the budget estimates had not been prepared and submitted for audit.	Action will be taken to prepare a statement that includes explanations for the variations and submit it for audit.	-Do-
(c)	Guideline 5.4.12 of the 2006 National Procurement Guidelines	Although the details of the VAT payment should have been reported to the Auditor General on or before the 15th day of the following month, the total amount of Rs. 9,112,103 paid to 04 contractors in the year under review had not been reported.	Action will be taken to send it to the Auditor General in the future.	Action should be taken to inform the Auditor General of the report on Value Added Tax.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of recurrent expenditure over revenue (deficit) of the Sabha for the year ended 31 December 2024 amounted to Rs. 14,623,497 as against the excess of revenue over recurrent expenditure amounted to Rs. 10,472,491 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	Revenue billed	Revenue Collected	Arrears as at 31 December	2023 Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
		Rs	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**
(i)	Rates and Taxes	10,828,281	37,670,629	10,030,618	27,640,010	8,050,000	33,030,053	8,963,938	24,066,115
(ii)	Rent	45,445,189	39,420,517	37,572,722	1,847,795	44,936,120	40,938,912	38,787,204	2,151,708
(iii)	License Fees	2,600,000	1,964,700	1,964,700	-	3,080,000	2,156,700	2,136,300	20,400
(iv)	Other revenue	13,560,720	8,069,198	8,069,198	-	11,684,000	5,762,913	5,762,913	-
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		72,434,190	87,125,044	57,637,238	29,487,805	67,750,120	81,888,578	55,650,355	26,238,223
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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)	Although the property tax revenue for the year under review was estimated at Rs. 9,578,281, only Rs. 1,094,198 was collected. This was 11 percent of the estimated revenue.	When collecting assessment tax, the arrears from the previous year are included in the collection. Actions have been taken to collect these.	Efforts should be made to efficiently recover all estimated revenues.
(b)	Although there were Rs. 24,066,115 in arrears of assessments and taxes up to the previous year, only Rs. 8,819,457 of this amount had been recovered in the year under review. This was 37 percent of the arrears.	The shortage of RI officers had raised these issues. Currently, separate officers are appointed for each division and charges are made.	Steps should be taken to recover arrears of revenue immediately.
(c)	Action had not been taken to recover the Rs. 288,978 in stall rent in arrears until last year.	The arrears are being collected by sending letters and making phone calls, and legal action has been taken regarding arrears that cannot be collected in this way.	-Do-
(d)	According to the meat stall rent register, action had not been taken to recover the arrears of Rs. 586,870 from 05 individuals in previous years.	A letter has been sent to the attorney general requesting that legal action be taken against 12 lessees who have arrears in order to recover the arrears of meat stall rent.	-Do-

(e)	There was an arrears amounted to Rs. 819,660 as Samanthurai Public Market rent but no action had been taken to recover that amount from the lessee for 3 years.	Actions have been taken to collect the tax at present, due to the fact that the public market open land premises were leased in 2022 and the arrears of Rs. 819,660.00 were not paid and the owner went abroad.	-Do-
(f)	Although trade license fees of Rs. 2,052,900 were collected for 1,178 shops during the year under review, trade license certificates had not been issued for 50 of them.	Trade license certificates have not been issued to some people due to the failure of the relevant individuals to submit the correct documents.	Action should be taken to issue trade licenses in accordance with the relevant laws during the year under review.
(g)	The Sabha had not taken action to calculate and apply for the relevant stamp duties for 14 months from November 2023 to December 2024 within the specific time period.	An application has been made to obtain stamp duty for the period from November to December 2023, and the stamp duty for January to May 2024 has been sent to the Lands Department for confirmation.	Information should be collected within the specific time frame and steps should be taken to recover it 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
Advances of Rs. 1,893,574 given by the Sabha from June 17, 2020 to December 31, 2024 had not been settled by the end of the year under review.	This includes Rs. 1,217,500.00 given to an institution and Rs. 548,086 in advances given since 2003. Actions have been taken to write off Rs. 548,086 of this.	Action should be taken to recover the money given as an advance from the relevant persons.

3.2 Operating Inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	**Property tax** Although there was a balance of Rs. 27,640,010 at the end of the year under review, the balance had not been classified according to the age and collected also legal action had not been taken.	Announcements regarding property owners' balances are being made via loudspeakers and collections are also being made via mobile services.	Action should be taken to classify property taxes that are in arrears by time, take appropriate action and collect them.
(b)	**Stall Rent and Rent** 84 stalls of the Sabha and the Samanthurai Public Market had been rented by certain individuals for a long time without inviting bids. No steps had been taken to increase the revenue by inviting bids publicly for those stalls.	There are 14 people who have been given land for stalls. They have been given stalls continuously and bids have been called for the stalls that are vacant from other shops on March 11, 2024, October 25, 2024, and February 18, 2025.	Public bidding should be called to make the stalls and Samanthurai Public Market is accessible to all.
(c)	In 2023, Rs. 1,700,000 was spent on a fertilizer rolling machine with the aim of improving organic fertilizer production and Rs. 10,124,136 was spent on the construction of the roof in the year under review, but the objective of the relevant project could not be achieved.	The fertilizer rolling machine and the roof construction project at the site have been completed, and organic fertilizer production is currently being carried out by collecting biodegradable waste from the public.	Action should be taken to effectively implement the organic fertilizer production project to achieve the relevant objective.

3.3 Assets Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Although there were 05 vehicles, 34 buildings and 31 pieces of land used by the Sabha, no action had been taken to acquire their ownership to the name of the Sabha.	The process of transferring ownership of the 05 vehicles used by the sabha is being carried out. The Divisional Secretary is carrying out the acquisition of lands and buildings.	Action should be taken to transfer ownership of the assets to the name of the Sabha
(b)	The Sabha had not taken action to rent out 25 stalls and 02 meat stalls during the year under review.	Bids have been invited for only 03 vacant stalls on March 11, 2024, October 25,	Bids should be invited for all stalls and rented out to increase income.

	2024, and February 18, 2025. Furthermore, one of the 02 meat stalls has been rented out.	

3.4 Defects in Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
Wastewater Treatment Project Although Rs. 25,717,122 had been spent on the wastewater treatment plant, the internal roads had not been fully completed. Furthermore, a proper action plan had not been prepared including matters such as staff training, warranty certificates and responsible parties for after-sales service.	Although the work was completed, some operational tasks were not completed. There was a delay in implementation due to insufficient resources.	Immediate actions should be taken to complete the deficiencies and implement the project.

3.5 Human Resources Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	It was observed that although there were 39 vacancies for 13 positions in the Sabha and 07 surplus staff, the public services and public health services provided by the Sabha to the public remained inefficient due to the lack of action to fill them through annual transfers.	Out of 13 positions in the Sabha, all were vacant except 2, but those vacancies remained unfilled and since there were no transfers for these officers, it was not possible to adjust them.	The Sabha should fill necessary staff vacancies and maintain public services.
(b)	The arrears balance of Rs. 108,550 due from 10 officers had not been recovered from the relevant individuals or the guarantor.	Actions have been taken to recover outstanding loans from officers/guarantors by informing the relevant Divisional Secretariats of the retired officers.	Action should be taken to promptly recover the amount of debt owed by officers from the relevant persons or the guarantor.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Sabha	Recommendation
Although the Sabha had appointed 03 officers to carry out internal audit activities, recommendations had not been prepared to promote the operational process of the institution and enhance its performance through internal audit in accordance with	The Internal Audit Committee meets every month and examines each voucher and presents it to the Sabha.	Internal audit functions should be properly performed and recommendations should be prepared to promote the operational process of the Sabha

Section 40 of the National Audit Act No. 19 of 2018 and Financial Regulations 133 and 134.		and enhance its performance.

4.2 Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
The estimated income for the year under review was Rs. 217,611,329 and the earned income was Rs. 143,346,130. Accordingly, Rs. 74,265,199 of the estimated income had not been received.	Since the budget is an expected estimate, action will be taken to prepare the budget for the next year as accurately as possible, taking into account the actual revenue sources and expenditures of the previous and reviewed years.	Action should be taken to accurately identify the income of the sabha, prepare a budget, and collect it effectively.

4.3 Environmental Problems

Audit Observation	Comments of the Sabha	Recommendation
No action had been taken to obtain environmental permits for the slaughterhouse run by the Sabha.	Actions have been taken to renew the licenses for the slaughterhouse.	Action should be taken to obtain environmental permits.

4.4 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.	Solid waste disposal, administrative matters, public utilities, and welfare expenditures have all been designed to achieve sustainable development goals. Accordingly, sustainable development goals have been allocated financial provisions from a separate budget and have been prepared in a separate format.	Under the Sustainable Development Act No. 19 of 2017, financial provisions should be made to achieve sustainable development goals.