Thirukkovil Pradeshiya Sabha- 2024.
---

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Thirukkovil 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 Thirukkovil 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)	Although the Sabha owned public wells, their value had not been assessed and disclosed in the financial statements for the period 2020 to 2024.	It will be included in the financial statements for the next financial year.	The value of public wells should be assessed and disclosed in the financial statements.
(b)	The value of the public market toilet system, completed and utilised under the PSDG program at a cost of Rs. 378,913 in the year under review, was not disclosed in the financial statements.	-Do-	The correct value of fixed assets should be included and disclosed in the financial statement.

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 134 of the Pradeshiya Sabha Act No. 15 of 1987	Action had not been taken to identify the sources of assessment tax revenue within the Sabha area and increase the revenue of Sabha.	Action will be taken to promptly collect assessment taxes in accordance with appropriate Sabha decisions taken with the people's representatives.	Action should be taken to identify the sources of assessment taxes to be levied and increase revenue.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka 571 (1), (2), (3)	The Sabha had not taken action to return 04 deposits of Rs. 873,185, which had been lapsed for more than two years, to the relevant individuals or transfer them to the revenue account.	The first, second and third announcements will be issued to the relevant persons and completed after receiving replies.	Financial regulations should be followed.
(c)	Guideline 7.11 of the 2006 National Procurement Guidelines	Although bids had been invited for the purchase of a paddy drying and cleaning machine worth Rs. 17,678,131, bids had not been invited again due to the fact that only one company submitted bids.	There was not enough time to call for bids again.	Action should be taken to re-invite bids in accordance with the procurement guidelines.

(d)	Treasury Circular No. IAI/2002/02 dated 28th November 2002	A separate registry had not been maintained regarding computer equipment and software valued at Rs. 2,731,300.	The storekeeper has been instructed to maintain a separate register for computer equipment and software.	Action should be taken as per the circular.

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. 7,960,289 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 12,533,099 in the preceding year

2.2 Financial Control

Audit Observation	Comments of the Sabha	Recommendation
In relation to the cheque worth Rs. 100,240 dishonoured in 2016, the Sabha had not taken any action to make the necessary adjustments to the cash book and find the actual cash balance even at the end of the year under review.	This cheque, which was dihonoured by the bank, is still shown in the bank reconciliation statement.	Necessary adjustments should be made in the cash book to determine the accurate cash balance.

2.3 Revenue Administration

2.3.1 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.

		2024				2023			
	Source of Revenue	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	6,000	6,000	48,750	(42,750)	-	-	-	-
(ii)	Rent	6,043,785	6,043,785	6,703,080	(659,295)	4,895,000	5,443,021	5134430	4,066,628
(iii)	License Fees	980,000	980,000	770,740	209,260	689,000	826,990	826,990	-
(iv)	Other revenue	12,503,000	12,503,000	10,997,576	1,505,423	3,262,000	3,220,440	3,107,850	171,937
	Total	19,532,785	19,532,785	18,520,146	1,012,638	8,846,000	9,490,451	9,069,270	4,238,565

2.3.2 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)	Action had not been taken to recover the stall rent of Rs. 1,948,123 due as of December 31, 2024.	Legal action will be taken to collect the money by 2024.	Action should be taken to recover the arrears of revenue immediately that need to be recovered.
(b)	The council had not collected Rs. 419,950 as fees for 05 Advertising boards displayed on the roadside for the period from 2019 to 2024.	Business owners will be given instructions on displaying company Advertisin boards and action will be taken to effectively collect fees.	Action should be taken to promptly recover arrears advertising board charges.
(c)	The Sabha had not taken action to recover the stamp duty of Rs. 1,436,450 due as of December 31, 2024 from the Chief Secretary and other officers of the Provincial Council.	Requests will be made to the Provincial Inland Revenue Department immediately upon receipt of the requested documents.	Action should be taken to collect stamp duty within the specific time frame.

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 Sabha	Recommendation
(**a**)	The Sabha had not taken action to utilize the balances of 3 bank current accounts of Rs. 3,960,834, which had been inactive for more than 05 years, in sources of income generation.	Immediate actions will be taken to generate revenue in accordance with appropriate Sabha decisions taken with the people's representatives.	Action should be taken to invest surplus funds in revenue-generating sources with proper approval.
(b)	Appropriate action had not been taken regarding returned cheques and unrealized cheques amounting to Rs. 100,240 and Rs. 82,100 respectively.	This cheque was dishonoured by the bank but has been shown in the bank reconciliation statement upto now.	Appropriate action should be taken regarding cheques.

(c)	The Sabha had not taken action to rent out 6 stalls and an old stall in the Thambiluvil Public Market building for more than 4 years.	Traders are not coming forward to rent stalls premises because people buy goods from street stalls and mobile carts.	Appropriate action should be taken to rent out stalls.

3.2 Transactions of Extraneous Nature

Audit Observation	Comments of the Sabha	Recommendation
Paper materials worth Rs. 111,355 purchased during the year under review were paid for without recording them and after distribution. The necessity of this purchase could not be verified during the audit.	Out of the paper materials worth Rs. 111,355 purchased for the year under review, some items were not recorded in the inventory register. This was due to the negligence of the officer who maintained the store. It is assured that such errors will not occur in the future.	Materials should be purchased after identifying the need, documented and distributed according to a proper methodology.

3.3 Assets Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	According to the PS-05 document prepared and submitted by the Council from January to December of the year under review, from Rs. 1,720 to Rs. 503,000 of the daily cash receipts were held as cash on hand on a daily basis when they were not deposited in the bank, and a steel safe had not been used to protect that cash as specified in Sections 315 and 316 of the Financial Regulations.	Income received after 3:00 PM will be deposited in the bank before 10:00 AM the next day. Action had been taken to purchase safes to correct this deficiency in the future.	The revenue collected by the Sabha should be protected using safes until it is banked.
(b)	The garbage shredder used at the Mandanai Solid Waste Center had been damaged for 5 years, but the Sabha had not taken steps to repair it and put it back into use.	Actions have been taken to repair the garbage shredder used at the Mandanai Solid Waste Center to make it suitable for use.	Action should be taken to repair it immediately and reuse it.
(c)	Action had not been taken to transfer the ownership of 09 vehicles used by the Sabhal to the name of the Sabha.	The vehicles will be repaired or auctioned off	Steps should be taken to immediately take over the ownership of the relevant vehicles.

3.4 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
Action had not been taken to recover the total of Rs. 533,393 in festival advance loans, special loans and distress loans due from 33 employees who retired and died after serving the Sabha from the period 2005 to 2024.	All measures have been taken to recover their outstanding loan balance from the retirement gratuity.	Action should be taken to recover the outstanding balance.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Sabha	Recommendation
In accordance with Section 40 of the National Audit Act, No. 19 of 2018, recommendations had not been made to promote the operational processes of the institution and enhance its performance through internal audit.	The internal audit program has been properly prepared and the audits mentioned therein are being effectively confirmed.	Internal audit functions should be properly performed and recommendations should be made to promote the operational process of the Sabha and improve its performance.

4.2 Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
The budget prepared by the Sabha for the year under review had not been prepared based on the actual revenue collected in the past and the true status of revenue data, and no collection had been made in respect of 06 estimated revenue subjects.	Action will be taken to focus on all revenue subjects in the future.	The budget should be prepared based on actual income.

4.3 Environmental Problems

Audit Observation	Comments of the Sabha	Recommendation
Industrial establishments that were required to obtain environmental protection permits in accordance with the National Environmental Act No. 47 of 1980, as amended by Acts No. 56 of 1988 and No. 53 of 2000, and the regulations implemented thereunder, had not been formally identified and records	Letters were sent several times to renew the environmental licenses of certain institutions after they expired, but they did not renew them.	In accordance with the relevant Acts, industrial establishments that require licenses should be formally identified and action should be taken to update documents.

had been maintained for only 25 industrial establishments that obtained environmental license in the year 2020, and these had not been updated as of the date of the audit.

4.4 Solid Waste Management

Audit Observation	Comments of the Sabha	Recommendation
Although plastic cutters and grinding machinery were purchased for Rs. 1,607,000 for the newly constructed organic fertilizer processing center in Dandiadi, the Sabha had not taken steps to use them for production purposes.	Action will be taken to install machinery after the completion of the work at the organic fertilizer processing center.	Action should be taken to use machinery for its intended purpose.