

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Thirappane Pradeshiya Sabha for the year ended 31 December 2024 comprising the Statement of assets and liabilities as at 31 December 2024 and the

Comprehensive Income Statement, Statement of changes in Equity / Net Assets, Cash Flow Statement 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987. 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 accompanying financial statements give a true and fair view of the financial position of the Thirappane Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

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 Sri Lanka Public Sector Accounting Standards for Local Authorities, 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 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 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 Sabha	Recommendation
(a) The value of the buildings constructed during the year under review under the LDSP project was Rs.44,316,885, but the value of the buildings was overstated by Rs.12,474,467 as it was stated as Rs.56,791,352 in the financial statements.	That will be correct.	The correct value must be accounted.
(b) Expenses paid in the year 2025 but relating to the year under review totaling Rs.54,042 had been abandoned from creditors.	That will be correct.	The correct value must be accounted.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
There was a difference of Rs.20,530,902 in the schedules and 4 balances of financial statements submitted with the financial statements for the year under review.	Accepted.	The schedules should be compared with the corresponding reports and steps should be taken to correct them.

1.6.3 Unauthorized Transactions

Description of Unauthorized Transactions	Comments of the Sabha	Recommendation
Three accounts included in the financial statements for a long period of time,	These balances will be included back in the financial statements and steps will be taken to remove	Approval must be obtained through a formal administrative

totaling Rs.536,491, had been cut off without proper approval.

those balances again after obtaining a decision from the Administrative Committee or a decision from the General Assembly.

committee or general assembly decision.

1.7 Non- Compliances

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

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions etc as follows.

	Reference to Laws, Rules Regulations and Management Decisions etc.	Non-compliance	Comments of the Sabha	Recommendation
(a)	Paragraph 3.1 of Public Administration Circular No. 30/2016 dated 29 th December 2016	Fuel combustion tests had not been conducted on 04 vehicles owned by the sabha.	That will be done to formalize it in the future.	Action should be taken in accordance with the Public Administration Circular.
(b)	National Environmental Act No. 47 of 29 th October 1980	An environmental protection permit had not been obtained for the waste recycling center.	After preparing the waste disposal yard at the Pilisaru Center, steps will be taken to obtain the environmental permit as soon as possible.	Actions must be taken in accordance with the National Environmental Act.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs.4,665,531 as compared with the excess of revenue over expenditure amounted to Rs.2,871,785 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 by the Secretary, the estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

Source of Revenue	Estimated Revenue	2024	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	2023	Total Arrears as at 31 December
		Revenue billed					Revenue collected	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	1,935,000	1,299,053	1,366,230	107,825	770,000	909,130	507,815	612,324
(ii) Rent	6,247,000	7,842,939	8,021,103	1,296,691	7,247,000	5,400,744	4,239,992	1,819,757
(iii) License fees	3,690,000	3,506,050	1,506,050	10,597,026	3,829,250	3,134,136	1,234,136	8,597,026
(iv) Other Revenue	5,727,500	7,876,866	5,111,666	8,015,310	8,262,645	5,593,443	3,037,758	5,320,107
	17,599,500	20,524,908	16,005,049	20,016,852	20,108,895	15,037,453	9,019,701	16,349,214

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)	Rates		
	The arrears of rates totaling Rs.72,398 had not been recovered as at 31 st December of the year under review.	That a written notice has been issued to recover the remaining outstanding amounts.	Action should be taken to recover the outstanding amount.
(b)	Rent		
(i)	The total shop rent receivable from 20 shops owned by the sabha, amounting to Rs.551,347, had not been collected as of December 31 st of the year under review.	That a written notice has been issued to recover the remaining outstanding amounts.	Action should be taken to recover the outstanding amount.
(ii)	The total receivable for the rental of vehicles owned by the Sabha in the year 2022, which amounted to Rs.49,900, had not been recovered as at 31 st December of the year under review.	That action will be taken to recover the outstanding amount.	Action should be taken to recover the outstanding amount.
(c)	License Fees		
	Although the sabha had filed a case in court to recover the license fee of Rs. 10,564,684 due from the year 2021 from a hotel registered with the Tourism Board, it had not been possible to recover it as at 31 st of December 2024.	The company in question has been ordered by a court order to pay the outstanding amount for the years 2021 and 2022, but due to the company's repeated appeal, it has	Legal action should be taken to recover the outstanding amount.

not been possible to recover the money so far, and case number 965 has been filed in the Anuradhapura Magistrate's Court to recover the amount due for the year 2023.

(d) **Other Revenue**

Court fines of Rs.2,004,210 and stamp duty of Rs.3,891,050 which were receivable as on 31st December of the year under review had not been collected from the Chief Secretary of the Provincial Council and other authorities.

That the necessary steps have been taken to request the arrears of amount.

Action should be taken to recover the arrears amount.

3. **Operational Review**

3.1 **Performing of Functions Enacted by the Act**

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.

Audit Observation

Comments of the Sabha

Recommendation

Under Section 126 of the Pradeshiya Sabha Act, by-laws could have been enacted to carry out 30 main matters, but by-laws had not been enacted for those matters as at 31st of December 2024.

That after the establishment of the new sabha, steps will be taken to adopt and prepare by-laws.

Action should be taken to enact by-laws.

3.2 **Identified Losses**

Audit Observation

Comments of the Sabha

Recommendation

Necessary action had not been taken regarding 422 missing books from the Thirappane and Labunoruwa libraries.

Action will be taken to collect the regarding missing from those responsible in accordance with the Library Services Board circulars.

Action should be taken to recover damages losses from those responsible.

3.3 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
The sabha had not paid attention to starting a weekly fair to enable the people in the sabha area to purchase what they needed, for farmers to sell their products, and for the sabha to generate income.	Plans are underway to allocate land to start a weekly fair in the near future.	Action should be taken to start a weekly fair.

3.4 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) There were no updated formal agreements regarding 02 shops in Nachchaduwa owned by the sabha and due to the lack of sufficient attention by the officials, the lessees had converted the shops into houses at their own discretion and made construction changes without permission.	Legal action is already being taken.	Arrangements should be made to formally enter into a contract and lease.
(b) Due to the fact that 05 shops in Muriyankadawala town had not been leased out as per the schedule once every 05 years, the tenants continued to stay at their whim, electricity supply had not been provided to 03 shops, and no steps had been taken in the year under review to recover a reasonable rent for 04 shops that had been operating without electricity.	Procurement was carried out for the lease of 3 out of 5 shops, but since it has not been opened due to the lack of applicants, steps will be taken to provide electricity to those shops as soon as the tender is re-issued.	Necessary facilities for shops should be provided and leased out.
(c) The construction of the partially completed shops in Athungama had not been completed and arrangements had not been made for leasing during the year under review, and the 05 shops constructed in Dayagama were in an unusable condition due to lack of proper maintenance.	It has been impossible to complete the work due to insufficient provisions, and plans have been made to obtain provisions through a suitable project in the future and complete the remaining work.	Must be used for income-generating purposes.

3.5 Human Resources Management

Audit Observation

In accordance with the Cabinet Paper on the permanent appointment of primary level employees, approval had been given only for the permanent appointment of employees to primary level posts by the letter No. PL/06/2/36/r-1 dated 25th June 2024 of the Secretary to the Ministry of Public Administration, but a person who was serving in the post of works Administrator III of this sabha had been given permanent appointments to a secondary level post.

Comments of the Sabha

According to the Cabinet paper regarding the permanent appointment of primary level employees, the North Central Provincial Public Service Commission has conducted interviews for MN-01 posts in addition to primary officers and has granted permanent appointments to all those who were recruited on a casual basis until then.

Recommendation

The relevant post should be permanent in accordance with the Cabinet Paper.