

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Eravur Pattu 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 the provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018 and the 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 Eravur Pattu 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

My opinion is qualified 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 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 scepticism 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 and Regulatory Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the 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 recommendations made by me in the previous year as per the requirement of Section 06 (1) d (iv) of the Audit Act No. 19 of 2018.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observations	Comments of the Council	Recommendations
(a) The solid waste collection income of the Koduvamadu for the year under review had been overstated by Rs. 194,206 in the financial statements and arrears amount of Rs. 334,534 had not been shown as current asset in the financial statements.	Action have been taken to correct the mistakes in the 2025 financial statements.	Immediate action should be taken to calculate and correctly show the arrears and income for the year in the accounts.
(b) The values of 2,524 books purchased and donated by the Council in 2023 and the year under review, were not shown as assets in the financial statements.	Action will be taken to correct the mistakes.	Action should be taken to show the value of books as assets in the financial statements.
(c) The trade license fee Rs. 225,000 to be collected from telecommunications institutions up to the year under review, had not been disclosed as asset in the financial statements.	- Do -	Action should be taken to show the correctly calculated receivable income as asset in the financial statements.

1.6.2 Documentary evidenced not made available for Audit

Audit Observation	Comment of the Council	Recommendation
As at 31 December of the year under review, fixed asset registers title deeds and other documents of 03 account balances amount of Rs. 146,185,023 had not been submitted to the audit.	Action will be taken to check and correct them.	Action should be taken to obtain written evidence of assets and record them in the register.

1.7 Non- Compliances

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

Observations related to non-compliances with Laws, Rules, Regulations and Management decisions etc. are shown below.

	Reference to Laws, Rules Regulations etc.	Non-compliances	Comments of the Council	Recommendations
(a)	Section 24 (1) of the Pradeshiya Sabha Act No. 15 of 1987	Action had not been taken to gazette 937 out of the 1,065 roads within the administrative areas of the Council till the end of the year under review.	Action will be taken to check and correct them.	Action should be taken to publish in the gazette the roads within the administrative areas of the Council.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i)	Financial Regulation 371(5)	Action had not been taken to settle the advance payments Rs. 8,922,640 over 01 to 05 years.	Action will be taken to review and settle the advance payments.	As per the financial regulation, action should be taken.
(ii)	Financial Regulations 571(1), (2) & (3)	Action had not been taken to repay to relevant persons or change as income the 170 deposits value of Rs. 3,546,030 which were lapsed over two years.	Action will be taken to review and transfer them to the income account in 2025.	As per the financial regulation, action should be taken to dealt with lapsed deposits.
(c)	Inland Revenue Department Circular ASEC/ 2022/E/03 dated 23 December 2022.	Council had not taken any action to recover the withholding tax of Rs. 133,280 collected by two state banks from the Council's fixed deposit interest income during the year under review. It was contrary to the circular.	Action will be taken to correct this through the bank.	As per the circular, action should be taken.

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 2024 amounted to Rs. 69,024,296 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 74,514,887 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 presented by the chairman, the details 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				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	2,102,000	130,850	130,850	992,082	2,004,500	1,044,706	55,200	989,506
ii. Rent Income	12,685,000	14,274,442	14,274,442	2,362,937	15,755,000	17,021,021	14,177,491	2,843,529
iii. License Fees	4,761,000	4,058,134	4,058,134	-	4,511,000	3,421,481	3,421,481	-
iv. Other revenue	73,962,000	7,889,080	7,889,080	-	8,874,500	10,409,074	10,409,074	-
Total	93,510,000	26,352,506	26,352,506	3,355,019	31,145,000	31,896,282	28,063,246	3,833,035
	=====	=====	=====	=====	=====	=====	=====	=====

2.2.2 Performance of Revenue Collection

Observations related to performance of all revenue collections of the council are given below.

Audit Observations	Comments of the Council	Recommendations
(a) Rate and Taxes		
Although, 24 Grama Niladhari Divisions under the administrative area of the Council were declared as developed areas in Gazette No. 2165 dated 28th February 2020, the Council has not been taken action to identify the immovable properties and include into the assessment tax.	Immediate action will be taken regarding this matter.	Action should be taken to identify the immovable properties in divisions and bring into the assessment tax calculation.

(b) Rent

- | | | |
|--|--|---|
| (i) The Council had not taken action to recover the arrears Rs. 862,230 from 28 shops belonging to the Council, over 03 years. | Collection now has been carried out, it was delayed due to unusual situations. | Immediate action should be taken to collect the rent arrears. |
| (ii) Action had not been taken to recover the rent arrears of Rs. 478,550 from 14 lessee. | - Do - | Action should be taken to recover the lease arrears. |

3. Operational Review

3.1 Management Inefficiencies

Audit Observations	Comments of the Council	Recommendations
(a) Although, 10 percent penalty to be collected from the lessee for failure of the payment within the particular period as per the condition No.03 of the lease agreement, Council had not collected the penalty for the lease arrears amount of Rs. 69,080.	Action has been taken to collect in 2025.	Action should be taken to recover the penalty amount from lessee, who have failed to pay the lease amount on time.
(b) The council has not taken any action to collect the entertainment tax of Rs. 992,082, which is due for more than five years.	Action will be taken to collect the arrears and to the legal action.	Action should be taken to collect the entertainment tax arrears.

3.2 Assets Management

Audit Observations	Comments of the Council	Recommendations
(i) Action had not been taken to repair and reuse the 12 vehicles till the audit date.	Action will be taken regarding this matter.	Action should be taken to repair the vehicles and bring to the running condition.
(ii) Action had not been taken to transfer the ownership of 25 vehicles to the Council name, these belongs to other ministries and departments.	Action are being taken to transfer the ownership of the vehicles to the Council name.	Immediate action should be taken to acquire ownership of the vehicles used by the Council.

3.3 Delays in projects, operations or capital works

Audit Observation	Comment of the Council	Recommendation
Although, a contract was signed for the construction of sales outlets in 2022 for Rs. 15,544,440 and it was to be completed in 12 May 2022, the Council had not been taken to complete the construction works of the 02 rooms of the sales outlet within the particular period. Although, amount Rs. 400,023 was paid, construction was abandoned with the foundation works due to the price hike.	It could not be carried out due to the lack of funds during economic crisis. Now, it has been submitted for approval and estimate through the PSDG funds.	Action should be taken to implement the plan appropriately and achieve the expected benefits.

3.4 Lapses in contract management

Audit Observations	Comments of the Council	Recommendations
(a) As per the paragraph 2.3(iv) of State Finance Circular No. 01/2021 dated 29th September 2021, particular works would not be subcontracted. Although, 11 contract works had been subcontracted and it was confirmed by administrative committee of community centers. payment Rs. 21,749,830 had been made to the community centers with the completion report of the technical officers.	Construction would be done by the community center with support of the wealth persons and society well-wishers when lack of funds in the community centers, it had been decided in the meeting of the housing and community development committee and finance and policy making committee.	Action should be taken to act as per the State finance circular No. 01/2021, when awarding the contract to community centers.
(b) In terms of the paragraph 1.2 of the Finance Commission Circular No. 2016/01 dated 30th December 2015, that Provincial and Local Government Authorities, Council should use carpet, tar or concrete to ensure long-term usage, when constructing roads to avoid gravelling and temporary roads. 32 roads had graveled under a contract value of Rs. 66 million, contrary to this circular.	Construction had been done with the proposal of the gravelling roads with the approval of the eastern provincial governor and district development committee and request of the public.	According to the circular, action should be taken to follow the instructions when constructing the roads.
(c) Kommadurai North Internal Road at a cost of Rs.1.5 million were constructed for solar power entrepreneur. However, as per the section 33 of the Pradeshiya	In this area, there are faculties of the Eastern University, villages for resettled, small businesses and fish farming centers and it	Action should be taken to construct roads as per the section 33 of the

Sabha Act, No. 15 of 1987, Council had not made agreement for recover the expenses of the vesting, construction and maintenance of the road was constituted based on the request by the estate and enterprises.	was constituted for the benefit of the people. Pradeshiya Sabha Act No. 15 of 1987.
--	--

3.5 Resources released to other organizations

Audit Observation	Comment of the Council	Recommendation
If Council fix solar power system with their own funds, they could earn all income. However, Council had missed the opportunity by made an agreement with a private company, to fix at building roof with the term of receiving a 6% to 18% of the income to the Council. It was observed in audit.	This project was not carried out using the Council's fixed deposits or income. Agreement was made only for earn the income with issuing the buildings.	The agreement should be done with the best interest of the public and as per the act.

3.6 Human Resource Management

	Audit Observations	Comments of the Council	Recommendations
(a)	Public services were weak due to the lack of action taken to fill 07 staff vacancies approved by the Management Service Department at the end of the year under review.	This matter has been reviewed.	Action should be taken to fill up the vacancies.
(b)	No action has been taken to recover the outstanding debt of Rs. 106,731 of two employees who retired and transferred officer over 08 years and vacated three employees' loan arrears Rs. 462,760 had not been recovered over 02 years.	A letter has been sent to the particular officer and his office.	Action should be taken to recover employee loan arrears.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comment of the Council	Recommendation
As per paragraph 6 of Management Audit Circular No. DMA/01-2019 dated 12th January 2019, there was no approved internal audit plan and internal audit campaign had not been conducted.	An internal audit program will be implemented this financial year.	As per the circular, an internal audit plan should be prepared and immediate action should be taken to conduct internal audit activities.

4.2 Budgetary control

Audit Observation	Comment of the Council	Recommendation
A sum of Rs. 1,570,000 allocated for 24 items in the budget for the year under review, had not been utilized at the end of the year under review. Therefore, the budget had not prepared efficiently.	No Answer	Action should be taken to efficiently prepare the budget.

4.3 Environmental issues

Audit Observation	Comment of the Council	Recommendation
As per the National Environment Act No. 47 of 1980 as amended by Acts No. 56 of 1988 and No. 53 of 2000 and the regulations. Council had not taken action to renew the environmental protection license for the 76 industries.	Action is being taken in this regard.	Action should be taken to renew the environmental protection licenses.