

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Jafna Municipal Council 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 Chapter 252 of the Municipal Councils Ordinance 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 Municipal Council 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 Urban Council's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Urban Council 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 Urban Council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Urban Council has complied with applicable written law, or other general or special directions issued by the governing body of the Urban Council;
- Whether it has performed according to its powers, functions and duties; and

- Whether the resources of the Urban Council 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 include specific provisions for following requirements.

- The financial statements of the Urban Council 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.
- 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) The estimated cost of Rs.126,309,329 relating to 23 unfinished constructions and 09 purchases for which goods were not received had been accounted for as creditors.	The goods related to the purchases had been received and payments had been made.	Accounting should be done correctly.
(b) The capital grant of Rs. 36,181,046 received under the Regional Development Assistance Project in the year under review had not been disclosed in the financial statements.	It will be included in the income and expenditure account in the future.	Accounting records should be kept accurately and financial statements should be prepared properly.
(c) 14 capital works, totaling Rs.114,432,350, had not been capitalized under the Regional Development Assistance Project and the funds of the Council in the year under review and previous years.	It is scheduled to be accounted for in 2025.	Accounting records should be kept accurately.
(d) The total of Rs.12,966,776 in arrears of 04 types of income collected for the year under review and the previous year, due to the failure to make proper adjustments in the financial statements, the income for the year was overstated by that amount.	That adjustments will be made to the accumulated fund for this year.	Accounting records should be kept accurately and financial statements should be prepared properly.

(e)	The total cost of 11 types of office equipment and 03 electric motors purchased during the year under review, amounting to Rs. 9,563,863, had not been disclosed in the financial statements.	This year's accounting will be done through journal entries.	Accounting records be should be kept accurately and financial statements should be prepared properly.
(f)	The value of 45 lands owned by the Municipal Council had not been assessed and accounted for by the end of the year under review.	Steps are being taken to obtain title deeds.	Accounting must be done correctly.
(g)	The value of 7,341 library books received as donations and the value of 3,057 library books purchased for a total of Rs.1,868,567 had not been accounted for.	Steps will be taken to capitalize the value of all library books.	-Do-
(h)	Fuel, lubricants and organic fertilizers worth Rs.1,573,660 as at the end of the year under review had not been disclosed in the financial statements.	That action will be taken to include it in this year's financial statements.	Accounting records should be kept accurately and financial statements should be prepared properly.

1.7 Non-compliances

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Section 3(1) of the Widowers and Orphans Pension Act, No. 24 of 1983	Contributions totaling Rs.115,452 collected from 05 employees had not been sent to the Widowers and Orphans Pension Fund.	Actiona are taking to correct it.	Actions should be taken in accordance with the provisions of the Act.
(b)	Value Added Tax Approvals C (XXXVII) of 2018 (amended) Act No. 25	Value Added Tax on equipment used for waste disposal operations, in addition to the approved allowance value, had been collected and transferred to the Consolidated Fund at an amount of Rs.1,309,938.	It had been transferred to the accumulated fund.	-Do-
(c)	571(1), (2) and (3) of Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Fifteen deposits amounting to Rs.3,012,529, which had been outstanding for over two years, had not been settled.	The transfer to the revenue account will be made.	Action should be taken as per Financial Regulation.

- (d) Section 11 of Part I of the Gazette Extraordinary No. 2235/54 dated 08 July 2021 of the Urban Development Authority of the Democratic Socialist Republic of Sri Lanka
- Steps had not been taken to recover extension fees amounting to Rs.3,785,000 for 89 buildings that had not obtained certificates of conformity.
- Steps will be taken to charge fees in the future.
- Action should be taken to recover fees for extension of time in accordance with the provisions of the Act.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2024 amounted to Rs. 351,486,195 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 418,843,362 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 Income	2024				2023			
	Revenue Estimated	Billed Revenue	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	101,670,627	255,900,379	116,360,694	139,539,685	98,573,826	68,896,902	87,000,775	145,644,642
Rent	203,490,442	199,436,001	174,845,795	24,590,206	183,340,128	100,899,682	103,765,019	18,811,356
License Fees	31,782,000	41,795,925	41,650,925	145,000	28,398,000	22,870,236	23,083,236	185,000
Other Revenue	384,298,500	415,929,114	391,610,487	24,318,627	378,925,622	295,789,760	298,451,832	8,715,753
Total	721,241,569	913,061,419	724,467,901	188,593,518	689,237,576	488,456,580	512,300,862	173,356,751

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Council	Recommendation
(a) Rates and Taxes		
(i) The outstanding assessment and tax balance as at the end of the year under review was Rs.139,539,685, out of which Rs.57,320,525 from 15,280 assessed properties was a balance between 01 and 05 years,	Steps will be taken to write off the arrears in the future.	Steps should be taken to promptly recover arrears of revenue.

and a balance of Rs. 82,219,160 was more than 10 years.

(ii) In the year under review, the Municipal Council had not issued Form K for 14,141 properties out of 38,371 properties relating to property tax.	Steps have been taken to issue Form K.	Action should be taken to issue Form K.
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(b) Rent

Shop rent amounting to Rs.11,468,693 and market stall rent amounting to Rs.13,121,513 remained outstanding. as at the end of the year under review. Of these amounts, shop rent of Rs.3,938,000 and Rs.7,610,758 had been market rent had been outstanding for more than five years.

Taking action to collect in the future

-Do-

(c) Other Revenue

Cinema hall fees and advertising fees receivable amounted to Rs.6,488,441 and Rs.1,353,070 respectively and were to be collected during the year.

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3. Operational Review

3.1 Performing the functions assigned 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 Council under Section 4 of the Municipal Councils Ordinance are shown below.

Audit Observation	Comments of the Council	Recommendation
(a) From the year 2022 up to the end of the reviewed year, only about 868 out of the council received 1,188 building applications had been approved. The remaining 320 applications had not approved due to reasons such as failure to resubmit, land disputes, incomplete documentation, and delays by the	Steps are being taken to correct the deficiencies.	Steps should be taken to resolve the issues and issue licenses as soon as possible.

Urban Development Authority.

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| <p>(b) Although a Certificate of Conformity (COC) should be issued to confirm whether buildings have been constructed in accordance with Section 15(1) of the Housing Construction and Urban Development Ordinance No. 15 of 1915, Certificates of Conformity had been issued only 89 licenses from 868 development licenses granted for building construction from the year 2022 to the end of the year under review.</p> | <p>The relevant parties have been informed to obtain Certificate of Conformity and steps are being taken to rectify this situation.</p> | <p>Steps should be taken to issue a Certificate of Conformity.</p> |
| <p>(c) According to the Extraordinary Gazette No. 1629/17 dated 26 November 2009, 4,821 cows were slaughtered for food without obtaining animal receipts/licences confirming the license of the cows being slaughtered for meat within the jurisdiction of the Municipal Council.</p> | <p>Actions are underway to correct the situation.</p> | <p>Action should be taken in accordance with the provisions of the Gazette Notification.</p> |
| <p>(d) During the year under review, 1,457 cows were slaughtered at the farm's slaughterhouse without collecting the slaughterhouse fee and slaughterhouse license fee, thereby causing the Municipal Council to lose revenue of Rs. 1,048,312.</p> | <p>It will be brought to the attention of the Medical Officer of Health.</p> | <p>Steps should be taken to recover the slaughterhouse fee and slaughterhouse license fee.</p> |

3.2 Management Inefficiencies

- | | Audit Observation | Comments of the Council | Recommendation |
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| (a) | Steps had not been taken to commence 12 capital projects worth Rs.331 million for which provisions had been made in the budget estimate of the Municipal Council for the year under review by the end of the year. | Basic actions are being taken. | Steps should be taken to start projects within the stipulated time frame. |
| (b) | 28 old advances of Rs.6,668,066, which had been given to contractors for a period of between 10 and 30 years, had not been settled by the end of the year under review. | Future actions will be taken. | Advances should be settled without delay. |

(c)	From 2016 to 2024, Rs.1,876,752 provided for library and development activities through the Donations and Regional Development Support Project had been deposited in the General Deposit Account of the Municipal Council without being utilized for the relevant purposes.	Steps have been taken to transfer it to the revenue account.	Steps should be taken to use the funds for appropriate purposes.
(d)	Steps had not been taken to transfer the expired performance bond worth Rs.1,000,000 to the revenue account for over 02 years.	Steps have been taken to transfer it to the revenue account.	Steps should be taken to transfer it to the revenue account.

3.3 Operational Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	During the year under review, a revenue of Rs.5,750,016 was lost due to non-payment of rent by 05 butcher shops and 04 supermarkets.	Bids had been called but no one had come forward to rent it.	Steps should be taken to optimally maintain revenue sources.
(b)	The compensation amount of Rs.4,194,000 due from the Sri Lanka Insurance Corporation regarding the accident involving a fire engine of the Municipal Council has remained uncollected for over 04 years.	That Actions will be taken in the future..	Steps should be taken to recover the compensation amount promptly.
(b)	The lease agreements of 196 shops were being collected without renewal for a period of 3 to 35 years.	The agreements are being renewed.	Agreements should be renewed.

3.4 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	Action had not been taken for between 1 and 10 years to repair and reuse 41 shops and 44 vehicles located in the Gurunagar Market Complex.	Steps are being taken to repair it.	Repair work should be expedited so that assets can be used.
(b)	The ownership of 22 lands used by the council and 26 vehicles received as donations had not been taken over by the council.	Steps have been vested to the council.	The process of transferring ownership of the assets to the council should be carried out expeditiously.

3.5 Procurement Management

Audit Observation	Comments of the Council	Recommendation
Although a formal agreement should be entered into for any goods or services exceeding Rs.500,000 according to guideline 8.7.3 (a) of the Government Procurement Guidelines – 2006, the Municipal Council had not entered into such formal agreements with the supplier in respect of two procurements totaling Rs.5,770,200.	The procurement process will be followed correctly in the future.	A formal agreement must be entered into in accordance with the Procurement Guidelines.

3.6 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
(a) There were 148 vacancies at the end of the year under review.	Appropriate action is being taken regarding the staff.	Action should be taken to fill the staff vacancies.
(b) Steps had not been taken to obtain approval for 26 surplus development officers.	It has been sent to the relevant department regarding personnel.	Steps should be taken to obtain approval for surplus staff.
(c) A total of 40 drivers, including acting drivers, are employed in the Municipal Council's vehicle division. In addition to this, 10 drivers had been appointed on an external basis. As a result, according to the daily work schedule estimates, during the year under review, 32 drivers had been kept idle at the office for 847 days in total without being assigned any duties.	Drivers were kept in the office as needed.	A review of staffing requirements should be conducted and the approved staffing should be formalized.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Council	Recommendation
The action plan prepared by the Municipal Council had not been formulated in accordance with the instructions of the State Finance	Steps will be taken to prepare the action plan.	In accordance with the circular, an action plan should be prepared.

Circular No. 01/2014 dated 17 February 2014. Accordingly, the action plan had not been prepared based on the annual budget for the year under review, with a prioritized implementation schedule and a clear identification of the expected outputs/results of each activity.

4.2 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
Due to the fact that there were variations from 14 percent to 38 percent in 05 revenue items, from 23 percent to 75 percent in 06 expenditure items and items and 66 percent in one capital expenditure item when comparing the estimated revenue and expenditure with the actual revenue and expenditure according to the budget prepared for the year under review, the budget had not been used as an effective management control tool.	Steps will be taken to follow budget control in the future.	The budget should be carefully prepared by identifying needs and using it as an effective management control tool.

4.3 Environmental Observations

Audit Observation	Comments of the Council	Recommendation
(a) No appropriate measures had been taken to control mosquito breeding in the Kallundai area selected for solid waste disposal, such as spraying mosquito repellent and eliminating odors.	Steps are being taken to correct the deficiencies.	Appropriate measures should be taken to control mosquito breeding and eliminate odors.
(b) Non-degradable waste that could not be disposed of in an open site had been stored without proper management. Moreover, recyclable materials had not been separated and sent for recycling as much as possible. Instead, the waste had been burned in a manner that caused environmental pollution. As a result, a massive fire had broken out at the	Answer was not submitted	Steps should be taken to recycle waste or use it in alternative activities.

site and had to be controlled on eight separate occasions.

- (c) 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 enforced thereunder, action had not been taken to renew the expired environmental licenses of 26 sawmills, 19 rice mills, 17 bakeries, 2 vehicle washing centers, 51 electrical repair workshops, and 6 embalming centers, among others.

Environmental protection permits are being renewed.

Steps should be taken to renew environmental permits in accordance with the National Environment Act and the regulations in force thereunder, and trade permits should be issued accordingly.