

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Harrispattuwa 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 paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Harrispattuwa Pradeshiya Sabha as at 31 December 2024, and of its financial performance and 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 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 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 Financial Statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The total cost of renovating 05 buildings of Sabha during the year under review was undercapitalized by Rs. 1,359,760.	It will be accounted for correctly in the future.	Accounts should be prepared correctly.
(b)	Machinery purchased during the year under review totalling Rs. 2,736,536 had not been capitalized.		-Do-
(c)	Although the estimated repair cost of the backhoe loader was Rs. 957,626, the creditors had over-accounted for, by Rs. 542,374 by having it credited as Rs. 1,500,000.	-Do-	-Do-
(d)	The court fine income of Rs. 2,683,286 receivable for the period July - December of the year under review had not been accounted for.	-Do-	-Do-

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the non-submission of documents and files relating to 05 asset balances totalling Rs. 2,169,145 shown in the financial statements, they could not be satisfactorily verified during the audit.	The survey will be conducted and recommendations will be implemented, corrective measures will be taken in the future.	Schedules should be maintained correctly so as to verify account balances.

1.7 Non- Compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions

Non-compliance with Laws, Rules, Regulations and Management Decisions are as follows.

	Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a)	Rating and Valuation Ordinance No. 30 of 1946 Section 20	Although the rateable property is supposed to be assessed once every 5 years, the rates were levied for the year under review based on the year 2009.	Action has been taken to assess	Property should be assessed time to time and rates should be charged.
(b)	Pradeshiya Sabha (Finance and Administration) Rules, 1988 Rule 59	A trade license survey had not been conducted prior to March 31st of each year.	A survey will be conducted in the future.	A survey should be conducted and fees should be charged regarding trade licenses.

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 Rs39,577,837 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 59,463,301 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 Secretary of the Sabha 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	10,519,592	10,971,661	11,572,815	13,805,102	10,139,600	10,579,520	5,321,675	14,406,255
(ii) Rent	2,083,200	2,182,940	2,132,390	131,500	1,434,000	1,434,500	1,421,500	80,950
(iii) License Fees	2,200,000	3,800,251	3,737,651	189,070	1,782,260	706,800	706,800	126,470
(iv) Other revenue	55,719,250	72,879,475	164,218,087	63,247,988	56,547,785	51,579,737	4,079,737	154,586,600
	70,522,042	89,834,327	181,660,943	77,373,660	69,903,645	64,300,557	11,529,712	169,200,275

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 and Tax			
(i)	The balance of arrears rates as at the end of the year under review was Rs. 13,805,102. Out of this, 114 assessment units had an arrears rates exceeding Rs. 10,000, resulting in a total arrears balance of Rs. 2,045,155.	Action is being taken to seize the properties.	Arrears of revenue should be collected promptly.
(ii)	According to the assessment registry of the Sabha, it was observed that 68 properties within the Sabha area, which were described as lands and charged rates at Rs. 100 each, had been constructed buildings and used for residential purposes. These buildings had been constructed without permission and no action had been taken in this regard. Also, no steps had been taken to assess those buildings and levy rates accordingly.	It will be recovered in the future.	Action should be taken regarding unauthorized constructions and the property should be assessed and rates should be levied.
(b) Court fines and Stamp duty			
	The stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31st December of the year under review was Rs. 60,904,874. Out of this, the balance relating to the period 2016 – 2019 was Rs. 23,189,228.	Action will be taken to recover it in the future.	The arrears of revenue should be recovered.

3. Operational Review

3.1 Fulfillment of 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 Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

Audit Observation	Comments of the Sabha	Recommendation
Without being used recurrent revenue in previous years for regional development, Rs. 196,073,474 had been invested in fixed deposits.	The surplus funds were invested as a deposit and would be withdrawn when necessary.	Surplus funds should be used for regional development.

3.2 Identified Losses

Audit Observation	Comments of the Sabha	Recommendation
A Sri Lanka Electricity Board electricity distribution substation had been established on the Gatane Kumbura land in Hadeniya town, which is used by the Sabha, and without settling the ownership of the land, the Sabha had constructed a wall around the land in 2021 at a cost of Rs. 2,386,253. Similarly, Rs. 202,768 had been spent on preparing a plan to construct a multi-purpose building on the relevant land in 2024-2025.	Letters were sent to the Urban Development Authority.	After settling the properties owned by the Sabha, they should be used for development activities.

3.3 Management inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	After the Urban Development Authority transferred the physical possession of the land on which the Medawala playground is located to the Sabha in 2014, a total of Rs. 1,564,617 had been paid to the Urban Development Authority as acquisition fees, administrative expenses, compensation and survey fees over a period of 09 years to acquire the ownership of that land, but by the end of	The Chief Secretary has been contacted and will take over after receiving a response.	The ownership of the assets owned by the Sabha should be taken over.

the year under review, the ownership of that land and the land on which the Gohagoda stalls are located had not been taken over.

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| (b) | In terms of Section 21 of the Urban Development Authority Act No. 41 of 1978, as amended by Regulation 83.1, out of 1305 building applications approved during the period from 2018 to 2023, certificates of conformity had not been issued for 1159 constructed buildings. | Reminders will be issued to issue certificates of conformity and extend the period. | Action should be taken in accordance with the Act. |
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3.4 Idle or underutilized Property, Plant and Equipment

	Audit Observation	Comments of the Sabha	Recommendation
(a)	A backhoe loader valued at Rs. 17,649,179, 02 tractor trailers valued at Rs. 340,000, a tractor trailer whose value had not been identified, a building and land whose value had not been identified had been idle or underutilized for a period of between 03 and 24 years.	Steps will be taken to auction idle assets and acquire non acquired assets.	Action should be taken to repair or dispose of assets and to take over the ownership of assets that have not been acquired.
(b)	A stock of immovable water storage facilities totalling Rs. 185,091 had been lying idle for 2 years.	The committee's recommendations will be implemented in the future.	The committee's recommendations should be implemented and corrected.

3.5 Assets Management

	Audit Observation	Comments of the Sabha	Recommendation
	No steps had been taken to acquire the ownership of 02 cemeteries whose value was not identified and 10 plots of land with buildings constructed by the Sabha in previous years at a cost of Rs. 24,530,816.	Action will be taken to acquire in the future.	The ownership of properties owned by the Sabha should be taken over.

3.6 Irregular Transactions

Audit Observation

Two assistants for a pre-school belonging to the Sabha were employed from July 2022 without a recruitment process and without the issuance of a letter of appointment and were paid a salary of Rs. 1,645,516 from July 2022 to December 2024.

Comments of the Sabha

Appointment letters have not been issued.

Recommendation

Salaries should be paid based on a formal letter of appointment and assignment of duties.

3.7 Human Resources Management

Audit Observation

(a) When comparing the approved staff and the actual staff, there were 14 vacancies in 12 posts and 20 excess in 02 posts.

Comments of the Sabha

Top management has been informed.

Recommendation

Vacancies should be filled and public services should be maintained efficiently.

(b) A loan balance of Rs. 107,392 of 03 transferred officers and a retired officer during the period 2015 – 2021, had not been recovered

It will be corrected in the future.

The outstanding loan balance should be recovered.

4. Accountability and Good Governance

4.1 Environmental issues

Audit Observation

As per the provisions of Section 93 (b) of the Pradeshiya Sabha Act No. 15 of 1987, a gully service had not been maintained to enable the proper cleaning and emptying of the pits within the proper time duration for the disposal of sewerage from the houses in the area.

Comments of the Sabha

There is no method for disposing of sewerage.

Recommendation

Problems should be solved and public needs should be fulfilled.

4.2 Sustainable Development Goals

Audit Observation	Comments of the Sabha	Recommendation
Although the Sabha had identified sustainable development goals and targets in accordance with the provisions of the Sustainable Development Act No. 19 of 2017, it had not taken steps to achieve them.	The priority is given to achieving goals.	Sustainable development goals and targets should be identified and implemented.