

Laggala Pallegama Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Laggala Pallegama 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 Laggala Pallegama a 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)	During the year under review, the total amount of Rs. 230,063 spent on construction, renovation and purchases on 04 occasions had not been capitalized.	The correction will be made when preparing the final account for 2025.	Accounts should be prepared correctly.
(b)	As of the end of the year under review, the values of 480 units of 225 types of office equipment and furniture in 06 libraries, a pre-school and e-Nenasala owned by the Sabha had not been identified and accounted for.	-Do-	-Do-

1.6.2 Unreconciled Control Accounts or Records

	Audit Observation	Comments of the Sabha	Recommendation
(a)	A difference of Rs. 20,343,550 was observed when comparing the balances of 16 accounts shown in the financial statements with the balances shown in the schedules as at 31 December of the year under review.	The correction will be made when preparing the final account for 2025.	The account balances should be reconciled with the balances stated in the schedules.
(b)	There was a difference of Rs. 4,177,095 between the balance of the Fixed Assets Account and the balance of the Contribution to Capital application from Income/Grants Account.	-Do-	Account balances should be accurate.

1.6.3 Suspense Account

Audit Observation	Comments of the Sabha	Recommendation
The suspense account of Rs. 2,241,938 which represents the errors in the financial statements that were identified at the end of the year under review had not been settled.	An investigation is being conducted by local government department officials regarding the suspense account balance.	The balance should be identified and settled.

1.6.4 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
As of the end of the year under review, 04 asset subjects totalling Rs. 442,732 and 02 liability subjects totalling Rs. 570,488 could not be satisfactorily examined during the audit due to non-submission of relevant documents, schedules and files.	The balance of Rs. 500,000 in the Local Government Departments will be corrected when preparing the final accounts for the year 2025, and supporting documents or files for other balances cannot be found.	Relevant documents, schedules and files should be prepared to verify account balances.

1.7 Non- Compliances

Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules Regulations etc.	Non Compliance	Comments of the Council	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987 Section 24 (3) (1)	Although 67 roads within the Sabha area have been listed in a road inventory, information about those roads had not been published in the Gazette.	Road surveys will be carried out and gazetted.	Action should be taken in accordance with the Pradeshiya Sabha Act.

**(b) Financial Regulations
of the Democratic
Socialist Republic of
Sri Lanka**

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|------|---|--|---|---|
| (i) | F.R.371 (2) (b) as amended by Public Finance Circular No. 1/2020 dated 28th August 2020 | The sub imprest of Rs. 147,696, which had been given on 16 occasions from 2015 to 2018, had not been settled by the last day of the year under review. | Action will be taken to settle the advances. | Actions should be taken to settle the advances. |
| (ii) | F.R.571 (3) | 14 lapsed deposits of Rs.1,721,096, which has been deposited relating to the period from 2016 to 2024, had not been settled. | Arrangements will be made to settle the deposits. | Arrangements should be made to settle the deposits. |

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December amounted to Rs.395,342 as compared with excess of recurrent expenditure over revenue amounted to Rs. 871,619 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 Rs.	Revenue billed Rs.	Revenue Collected Rs.	Arrears as at 31 December Rs.	Estimated Revenue Rs.	Revenue billed Rs.	Revenue Collected Rs.	Arrears as at 31 December Rs..
(I)	Rates and Taxes	648,500	729,157	709,742	300,290	781,500	585,373	605,048	280,875
(II)	Rent	3,184,600	805,852	803,543	807,381	4,709,800	844,209	772,689	805,072
(III)	License Fees	740,000	172,050	193,800	-	218,000	279,960	279,960	21,750
(IV)	Other revenue	8,416,370	5,758,742	7,182,060	4,707,177	9,376,677	5,670,348	5,370,056	6,130,495
	Total	<u>12,989,470</u>	<u>7,465,801</u>	<u>8,889,145</u>	<u>5,814,848</u>	<u>15,085,977</u>	<u>7,379,890</u>	<u>7,027,753</u>	<u>7,238,192</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
Other Income		
Arrears of Rs. 170,514, is to be recovered for the water supplied by the Sabha to government quaters at the old Laggala hospital, had not been collected for over 6 years.	Letters have been sent to the Regional Director of Health Services regarding outstanding payments.	Action should be taken to recover the revenue in arrears.

3. Operational Review

3.1 Fulfilling 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 3 of the Pradeshiya Sabha Act are shown below.

(a) Failure to reach expected outcome

Audit Observation	Comments of the Sabha	Recommendation
Although a water project had been established to supply water to Kivulevadiya village spending a total cost of Rs. 24,215,842 during the year under review and the previous year, water supply had not been provided to any consumer by the end of the year under review.	About 15 water consumers have applied for water connections.	Action should be taken to implement the project.

(b) Public Health

Audit Observation	Comments of the Sabha	Recommendation
According to the water sample test reports of 06 water projects belonging to the Sabha, the water was distributed without treatment even though it contained E-coli bacteria. In this regard, attention had not been paid to Section 78 (1) of the Pradeshiya Sabha Act No. 15 of 1987.	Since the necessary provisions have been allocated for water purification in the year 2025, those activities will be carried out immediately.	Arrangements should be made to provide purified water to consumers.

3.2 Management inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Although the fingerprint machine used to record the arrival and departure of the officers of the Sabha had been inoperative on several occasions during the year under review, no actions had been taken to repair it properly.	The fingerprint machine will be repaired urgently.	Fingerprint machines should be used to record attendance and departure.
(b)	Although a cab belonging to the Sabha had been sent to a government garage for repairs on 15 th October 2015 and the repairs were carried out, as per the report of the Central Province Mechanical Engineer, the repairs had not been carried out properly, and as a result, Rs. 1,219,666 could not be paid to the relevant service provider, and the provision of Rs. 1,343,710 received from the Central Province Local Government Department had been withheld in the General Deposit Account.	The necessary instructions have been requested from the Local Government Commissioner and action will be taken accordingly.	Action should be taken to ensure that repair work is carried out properly.

3.3 Idle or underutilized Property, Plant and Equipment

	Audit Observation	Comments of the Sabha	Recommendation
	06 stalls located in the Laggala Sathipola market grounds and 08 meat stalls located in Laggala fairground owned by the Pradeshiya Sabha have been idle or underutilized for more than 06 years.	The property will be utilized by leasing even on a short-term basis	Efforts should be made to utilize assets without allowing them to become idle and underutilized.

3.4 Assets Management

	Audit Observation	Comments of the Sabha	Recommendation
	Action had not been taken to acquire the ownership of 50 plots of land and 24 buildings tenured by the Sabha, to the Pradeshiya Sabha.	The necessary requests have been made to take over the relevant assets.	Action should be taken to acquire assets.

3.5 Human Resources Management

	Audit Observation	Comments of the Sabha	Recommendation
	When comparing the approved staff of the Sabha with the actual staff, there were vacancies of 12 officers in 07 posts.	Written requests have been made to fill employee vacancies.	Vacancies should be filled.

