

Pallepola Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Pallepola 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 Pallepola 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 include 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

Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Building construction of Rs.598,850, which had been taken out on credit in the previous year, had not been capitalized.	The correction will be made when preparing the final account for 2025.	Accounts should be prepared correctly.
(b)	07 units of fixed assets worth Rs.125,823 purchased in the year under review had not been capitalized.	That the correction will be confirmed under the final account of the year 2025.	-Do-

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 and Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a)	Pradeshiya Sabha Act No. 15 of 1987			
	Section 122	By-laws regarding the levy of product tax, rental of backhoes, and collection of garbage fees had not been enacted or adopted.	The by-laws will be enacted and implemented promptly to act accordingly.	By-laws should be enacted regarding revenue-generating areas.
(b)	Rules and Statutes			
	1988 Pradeshiya Sabha (Finance and Administration) Rules 59,	A survey of industrial and commercial businesses had not been conducted and a list had not been prepared for the year under review.	It is scheduled to be published in a gazette in the future.	An annual survey should be conducted.
(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			

F.R. 571(3) 31 lapsed deposits of Steps have been Lapsed deposits
Rs.76,001 relating to the taken to update. should be settled.
period 2018 – 2022 had not
been settled..

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.16,734,784 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 16,916,319 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	3,159,650	4,058,751	3,516,294	963,745	2,559,600	1,233,548	1,246,214	421,288
(II)	Rent	6,273,300	6,823,776	6,766,626	596,270	5,949,000	4,469,858	4,479,448	539,120
(III)	License Fees	1,209,600	838,325	838,325	27,300	1,560,000	1,036,013	1,008,713	27,300
(IV)	Other revenue	28,411,000	29,997,924	36,658,842	24,188,231	46,914,500	36,302,592	8,258,949	30,849,149
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Total		39,053,550	41,718,776	47,780,087	25,775,546	56,983,100	43,042,011	14,993,324	31,836,857
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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	As at the end of the year under review, there was an assessment arrears balance of Rs.930,064. Therein, Rs. 849,314 had not been collected from 250 properties	Further steps have been taken to recover the money.	The revenue in arrears should be recovered.

with a value of more than Rs.1,000 per unit in accordance with Section 158 of the Pradeshiya Sabha Act, No. 15 of 1987.

(b) Stamp Fees

The stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at the end of the year under review was Rs.20,627,902.

This amount has not been collected yet.

The revenue in arrears should be recovered.

3. Operational Review

3.1 Management inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
The total balance of 04 accounts receivable as on 31st December of the year under review was Rs.3,435,451. Therein, Rs.958,261 of the balance due more than 1 year and less than 5 years and Rs.13,279 of the balance due more than 5 years had not been collected.	Necessary steps will be taken to recover arrears acreage tax revenue, miscellaneous debtors, industrial debtors, and arrears water charges.	Receivable balances should be collected.

3.2 Asset Management

Audit Observation	Comments of the Sabha	Recommendation
The ownership of 12 cemeteries, worth Rs. 25,000, used by the Sabha, had not been acquired.	That the necessary requests have been made to take over the relevant assets.	The property owned by the Sabha should be taken over.

3.3 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
When comparing the approved staff and the actual staff as of 31 st December of the year under review, there were 07 vacancies in 05 posts.	Necessary steps will be taken to appoint the appropriate officers to fill the vacancies.	Vacancies should be filled.