

Siyambalanduwa Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Siyambalanduwa pradeshiya sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, Statement of Net Assets Changes, Cash Flow Statement 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, the sub section 172(1) of 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 financial statements give a true and fair view of the financial position of the Siyambalanduwa 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

I expressed qualified opinion regarding financial statement 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 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 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 of this report 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 stamp duty revenue for the year under review was overstated by Rs. 225,040.	It will correct it in the future.	Only income related to the year should be accounted for as income for the year under review.
(b)	The shop rental deposit of Rs. 44,000, which should have been taken as income, had not been taken as income.	A written request has been made to the Management Committee requesting permission to transfer the said amount of Rs. 44,000 to the general account.	Shop rental deposits identified as income should be included in income.

1.7 Non- Compliances

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

The following are examples of non-compliance with laws, rules, regulations and management decisions.

	Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Pradeshiya Sabha Act No. 15 of 1987 Section 134	The Pradeshiya Sabha had not taken steps to identify the developed areas and levy assessment tax.	The assessment is consistent with a tax collection method.	Steps should be taken to identify developed areas and levy assessment taxes.
(b)	Democratic Socialist Republic of Sri Lanka Financial Regulation 770(4)	08 vehicles and machinery owned by the council had been idle for	There was a delay in providing the recommendation of the	Financial regulations must be followed.

a period of 02 months to Provincial Mechanical
06 years and no steps had Engineer.
been taken to dispose of
them or repair them and
put them into use.

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 31December 2024 amounted to Rs. 6,868,955 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 4,313,737 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Council are given below.

	Audit Observation	Comments of the council	Recommendation
(a)	Out of the total revenue billed in the year under review of Rs. 35,487,869, Rs. 7,437,641 had not been collected by the end of the year, which was 21 percent of the total billed revenue.	That step will be taken to recover the outstanding amounts promptly.	Steps should be taken to collect billed revenue.
(b)	As at 01 st of January of the year under review, the outstanding weekly market revenue relating to previous years amounted to Rs. 5,495,857 and no action had been taken to recover any of it during the year.	Legal action should be taken regarding outstanding amounts.	Steps should be taken to collect billed revenue.
(c)	As at 01 st of January of the year under review, the outstanding machine rental income relating to previous years was Rs. 327,675 and only 18 percent, that is Rs. 57,500, had been received during the year. Accordingly, 82 percent, that is Rs. 270,175, remained to be collected.	This amount will be collected promptly.	Arrears of revenue should be recovered promptly.

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

Audit Observation	Comments of the Recommendation council
(a) The 07th post, Ampara Road, Kanda Uda Panguwa public well had been constructed under the Provincial Specific Development Grants at a cost of Rs. 492,946. Although this well had been constructed to meet the drinking water needs of between 12 and 18 beneficiary families, the relevant objective of the project had not been achieved as the well water was not of a suitable drinking quality.	Since the water in the well at this location had been consumed by people for a long time, a water sample test was not conducted again. Drinking water should be provided to protect the health of the public.
(b) Although environmental permits should be issued for small-scale polluting industries according to the guidelines issued by the Central Environmental Authority to local government institutions, environmental permits had not been issued for 27 businesses during the year under review.	Those industrial owners have been informed in writing to obtain environmental permits and accordingly, some industrial owners have taken steps to obtain environmental permits. Environmental permits should be issued for small-scale polluting industries.

3.2 Management Inefficiencies

Audit Observation	Comments of the Recommendation Council
It was observed during the audit that the expenditure incurred on the advertisement published in the national newspaper on 20 October 2023, amounting to Rs. 85,824, was a un-economic expenditure due to the limitation of submission of procurement applications only to the Pradeshiya Sabha jurisdiction when awarding tenders for properties belonging to the council.	Instructions were given to take steps to conduct procurement activities by calling for regional prices or informing island-wide in the future. Expenditure should be made economically and effectively.

3.3 Assets Management

Audit Observation	Comments of the Recommendation Council
(a) The cab received from the Ministry of Provincial Councils and Local Government in 1998 and the lorry bowser received from the Ministry of Public Administration, Home Affairs and Local Government in 2022 had not been taken over by the Council by 31 st of December of the year under review.	Attempts were made on several occasions to take over this, but the process was not completed for various reasons. Vehicles received from other institutions should be taken over.

- (b) As 31st December the year under review, the ownership of 75 lands occupied by the Pradeshiya Sabha had not been acquired. Requests have been made to the Siyambalanduwa Divisional Secretary to take over the land. The acquisition of public property enjoyed by the council should be carried out.

3.4 Identified Losses

Audit Observation	Comments of the Council	Recommendation
In determining the minimum bid amount for the year 2025 in respect of 04 properties for which tenders had been awarded by the Pradeshiya Sabha, without paying due attention and consideration to the value awarded in the tenders of the previous year, a value of Rs. 11,573,000, which is 54 percent lower than the value awarded in the tenders of the previous year which was Rs. 21,238,775, was determined as the minimum bid amount for the year under review. By awarding tenders for a value that is 57 percent lower than the value awarded in the tenders of Rs. 12,104,090, the Council had lost an income of Rs. 9,134,685 in the year under review compared to the previous year.	The minimum bid amount was determined by the management committee of the Pradeshiya Sabha.	When awarding tenders for property leases, the value awarded last year should be taken into account when determining the minimum bid.

3.5 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
As at 31 st December of the year under review, there was a shortage of 04 employees in relation to 04 posts in the Council, and a surplus of 12 employees in relation to 03 posts, as per the approved staffing.	The Department of Local Government has been informed in writing regarding staff vacancies and surpluses.	Staff vacancies must be filled and surplus staff must be approved.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
When comparing the estimated income and expenditure according to the budget prepared by the Pradeshiya Sabha for the year under review with the actual income and expenditure of the year, there were variations ranging from 4 percent to 51 percent in 08 income items and from 6 percent to 48 percent in 07 expenditure items.	That step will be taken to prepare the budget properly in the future.	Annual budget estimates should be prepared more realistically and efforts should be made to achieve those goals.