

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Akkaraipattu Pradeshiya Sabha 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 Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 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 Akkaraipattu Pradeshiya Sabha 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 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 Scope of Audit (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 skepticism 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 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	Although the salary reimbursement amount due from the Department of Local Authorities for the payment of salaries of Sabha employees amounted to Rs.2,087,485, it had been stated as Rs.4,115,718 in the financial statement.	Although the salary reimbursement for October 2024 was directly deposited into the bank on 22 November 2024, it was not recorded in the cash book.	Action should be taken to correct the accounts.
(b)	The construction of the building of Center for Skill Development and Marketing Employability had been completed and the necessary equipment had been purchased during the year under review. The amount of Rs. 27,220,222 that payable to the contractor and receivable from the Local Government Department for that purpose had not been accounted for.	Although the relevant construction was supposed to be completed in November 2024, the LDSP project manager said it will be completed on 31 March 2025.	Receivables should be adjusted to accounts.
(c)	Although the construction work of the Center for Skill Development and Marketing Employability building worth Rs. 22,112,256 was completed in the year under review, it was not capitalized and recorded under non-current assets in the financial statements and in the Revenue contributions to capital Utilization account.	Since the entire construction work was completed on 31 March 2025, no action will be taken to reflect it in the accounts.	Appropriate accounting procedures should be followed.
(d)	The value of 08 lands and buildings and 16 vehicles owned by the council and	After the acquisition of the lands and assets owned by	Steps should be taken to assess and account

used for their purposes had not been assessed and stated in the accounts.

the council, the valuation department will assess the value and take action to record in the accounts. for land and building.

1.7 Non-compliance

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

	Reference to Laws, Rules, Regulations and Management Decisions etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Section 128 of the Pradeshiya Sabha Act, No. 15 of 1987	Action had not been taken to identify and take over the assets that utilized by the Council.	That the relevant documents have been submitted for taking over the ownership.	Action should be taken to identify and take over the assets in accordance with laws and regulations.
(b)	Pradeshiya Sabha (Financial and Administrative) Rules, 1988			
(i)	Rule 81	No arrangements had been made to send stamp duty reimbursement applications regarding land transactions to the Registrar General at the end of each quarter.	That the steps will be taken to send the reimbursement applications to the Registrar General.	Steps should be taken to reimburse the stamp duty within the relevant period.
(ii)	Rule 218	Although an annual survey of all lands and buildings within the Sabha area should be conducted this had not been done.		Arrangements should be made to conduct a land and building survey.
(c)	Section 5.4.12 of the Procurement Guidelines-2006 of the Democratic Socialist Republic of Sri Lanka	No action had been taken to inform the Auditor General of the details of the Value Added Tax of Rs. 10,085,632 paid to 03 suppliers in the year under review.	Action will be taken to sent the VAT details to the Auditor General after the total amount due to suppliers for the year under review has been paid.	Procurement guidelines should be followed.

2 Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of income over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs.5,846,157 compared to the excess of income over recurrent expenditure amounted to Rs.2,558,104 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 submitted, 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 Revenue	2024				2023			
	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.
Rates and Taxes	100,000	1,000	1,000	-	200,000	78,580	78,580	-
Rent	5,010,000	5,140,528	5,140,528	-	3,650,000	3,852,770	3,852,770	-
License Fee	735,000	607,312	607,312	-	1,625,000	582,400	582,400	-
Other Revenue	2,690,000	1,455,390	1,455,390	-	5,440,000	5,397,576	5,397,576	-
Total	8,535,000	7,204,230	7,204,230	-	10,915,000	9,911,326	9,911,326	-

2.2.2 Performance in Collecting Revenue

The following are observations made on the performance in collecting revenue.

	Audit Observation	Comments of the Council	Recommendation
(a)	Arrangements had not been made to rent out 02 beef shops for a period of 02 to 04 years, and Mutton shops and chicken shops for a period of more than 04 years.	Although tenders had been called, no bidders had come forward.	Action should be taken to lease out as suitable and generate income.
(b)	131 business establishments had not taken steps to obtain trade licenses for the year under review.	This is due to delays in obtaining certificates from the regional medical superintendent of health.	Action should be taken to issue licenses for all business establishments.
(c)	The Sabha had not taken steps to recover court fines of Rs.751,533 due on 31 December 2024 from the Chief Secretary and other authorities.	Out of the court fines due as at 31 December 2024, a sum of Rs.396,677 has been received so far.	Action should be taken to recover outstanding court fines.

3. Operational Review

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.

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
A solid waste grinding machine was purchased in 2022 for Rs. 969,500 without conducting a feasibility study for the construction of an organic fertilizer production center, and the machine was left idle at the Akkaraipattu Municipal Council's solid waste center.	Production has been temporarily suspended and steps will be taken to resume production in the future.	Machines should be used for the relevant task.

3.2 Assets Management

Audit Observation	Comments of the Council	Recommendation
Although, as per the accounts the value of the lands, buildings, machinery, motor vehicles and furniture owned by the Sabha at the end of the year under review was Rs.203,609,632, action had not been taken to record the movable and immovable assets in the Land and Building Register and the Fixed Asset Register, as well as in General 22.	Action will be taken to record the Movable and immovable assets in the fixed assets register.	Steps should be taken to record in the fixed asset register.

3.3 Human Resource Management

	Audit Observation	Comments of the Council	Recommendation
(a)	Although there were 03 vacancies in 07 posts in the Sabha and 09 excess employees were employed, no steps had been taken to rectify this situation through annual transfers.	That steps are being taken to rectify it properly.	Steps should be taken to fill vacancies and appropriate action should be taken regarding excess employees.
(b)	Due to the failure to fill the vacancies in the Revenue Inspector position of the	Although competitive examinations had been held	Steps should be taken to fill the vacancies

Sabha, it was not possible to increase the Sabha revenue.	for these positions, no one had been selected.	of Revenue Inspectors and increase the revenue generation of the Sabha.
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| (c) | As per Section 04 of the Eastern Provincial Chief Secretary's Provincial Finance Circular No. PT/03/2021 dated 16 August 2021, security deposits had not been obtained from officers who were in charge of money, signing cheques, collecting of revenue and engaged in storage activities. | Action is being taken to obtain security deposits from the relevant officials. | Steps should be taken to obtain security deposits as per the circular. |
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4 Accountability and Good Governance

4.1 Sustainable Development Goals

Audit Observation	Comments of the Council	Recommendation
The indicators needed to identify sustainable development goals and achieve the objectives had not been identified.	That the steps will be taken to correct this in the next year budget.	Targets, indicators and progress should be identified and measured in accordance with the Sustainable Development Act No. 19 of 2017.