Haliela Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Haliela 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 Changes in Net Assets, 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 Haliela 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
Audit fees of Rs. 77,800 relating to the previous year had been accounted for as an expense in the year under review when settling the outstanding balance, and no provision had been made for audit fees for the year under review.	That the correction will be made when preparing the accounts for the year 2025.	The accounts must be corrected.

1.6.2 Unreconciled Control Accounts or Records

	Audit Observation	Comments of the Council	Recommendation
(a)	As at 31st December of the year under review, the balance according to the Statement of Financial Position in relation to 03 accounting items was Rs. 32,867,670, while the balance according to the schedules was Rs. 33,859,851, a difference of Rs. 992,181.	It Will be correct it in the future.	When preparing financial statements, control accounts should be compared with schedules.
(b)	According to the statement of financial position as at 31st December of the year under review, the total value of expenditure creditors and industrial creditors was Rs. 16,115,889. According to the creditor's register, it was Rs. 18,001,572, a difference of Rs. 1,885,683.	-Do-	-Do-

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
The long-standing unidentified debtor balance of Rs. 36,295,000 as at 31 December of the year under review could not be satisfactorily examined during the audit due to the non-submission of detailed schedules and balance confirmations.	That steps will be taken to obtain detailed sub-documents (assignment orders).	Detailed supporting documents and balance sheets must be submitted.

1.7 Non- Compliances

Non-compliance with laws, rules, regulations and management decisions

Non-compliance with laws, rules, regulations and management decisions as follows.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
	(i) 134(3)	Internal audit reports had not been submitted to the Auditor General for over 05 years.	Internal audit officers have come and conducted inspections annually. Reports have not been sent.	Internal audit reports must be submitted to the Auditor General.
	(ii) 371	Although a period of 1 to 12 years had elapsed in relation to 10 advance balances worth Rs. 1,101,664, they had not been settled.	It is being recover that money.	Advance balances must be settled.

(b)	In accordance with Public Administration Circular 30/2016 dated 29th December 2016	Although a fuel check should be carried out after a period of 12 months or after driving 25,000 kilometers or after a major engine repair, whichever comes first, this had not been done in the case of 11 vehicles.	Fuel tests have been conducted on cabs, and steps will be taken to conduct fuel tests on other vehicles next year.	Action should be taken as per the circular instructions in a timely manner.

2. Financial review

2.1 Financial results

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. 39,648,894 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 22,476,196 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

The information on estimated income, billed income, collected income and arrears of income submitted by the Secretary of the Council for the year under review and the previous year is shown below.

		2024				**2023**			
	Source of income	**Estimated Revenue**	**Revenue billed**	**Revenue collected**	**Total Arrears as at 31 December**	**Estimated Revenue**	**Revenue billed**	**Revenue collected**	**Total Arrears as at 31 December**
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	9,467,046	11,103,946	5,554,762	5,549,184	5,516,492	5,571,297	3,512,900	2,058,396
(ii)	Rent	7,415,465	7,917,944	6,902,957	1,014,987	4,821,862	5,954,871	4,551,820	1,403,051
(iii)	License fees	3,493,000	2,623,935	2,616,085	7,850	4,389,500	2,879,467	2,739,300	140,167
(iv)	Other Revenue	8,055,820	3,571,438	3,950,748	-	7,649,500	3,847,642	3,527,727	319,915
		---------------	--------------	--------------	------------	--------------	--------------	--------------	------------
	Total	**28,431,331**	**25,217,263**	**19,024,552**	**6,572,021**	**22,377,354**	**18,253,277**	**14,331,747**	**3,921,529**
		========	=======	=======	======	=======	=======	=======	======

2.2.2 Court fines and stamp duty

Audit Observation	Comments of the Council	Recommendation
Court fines amounting to Rs. 11,718,774 and outstanding stamp duty amounting to Rs. 35,767,780 had not been collected from the Chief Secretary of the Provincial Council and other authorities as at 31st December of the year under review.	A request has been made to pay the arrears relating to the current year.	Arrears of court fines and stamp duties should be collected.

3. Operational review

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
In the year 2024, during the development of the northern section of the Hali Ela Jayathilaka Mawatha, two landowners on both sides of the road had requested compensation for the amount of land that would be released from their lands during the widening of the road. Although it had been declared as a 10-foot wide road belonging to the Pradeshiya Sabha in the Gazette dated 01 April 2011, the landowners using the road during the relevant period did not raise objections in accordance with Section 24(2) of the Pradeshiya Sabha Act No. 15 of 1987 and after the road was declared as a road belonging to the Pradeshiya Sabha in the Gazette dated 01 July 2011, it was a problematic issue that Rs. 472,500 was paid as compensation from the council fund in relation to an objection made after the road was declared as a council road.	A request had been made to the Divisional Secretariat to make this payment.	Pradeshiya Sabha Act and Laws must act according to the rules.

3.2 Operational Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	As at 31st December of the year under review, a surcharge of Rs. 428,441 had to be paid from the council fund due to the delay in payment of contributions to the Employees' Provident Fund.	The appointment letters only state that payments should be made to the Employees' Provident Fund. They say that the surcharges will be dealt with in the future.	Acting in accordance with the Attorney General's instructions, circulars and ordinances must do Surcharges should be recovered from the responsible parties.
(b)	During the year under review, Rs. 600,000 was allocated from the budget for the purchase of library books. But no expenditure had been made for the library books.	That not enough publishers submitted bids.	Must act according to a plan.

3.3 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	The bus stand building and toilet system constructed by the Urban Development Authority facing the main road near the Spring Valley Tea Factory warehouse under the Hundred Town Development Project was handed over to the Hali Ela Pradeshiya Sabha on April 29, 2022. Although almost 3 years had passed since the building was handed over to the council, it remained unused, the doors and windows were locked and the fittings were also deteriorating.	It is a project where all construction work was carried out by the Urban Development Authority and handed over to the Pradeshiya Sabha.	The property entrusted to the council should be directed to the intended purpose.
(b)	According to the Board of Survey report conducted as of December 31 of the year under review, there was a shortage of 133 units of various equipment such as Panasonic telephones, street lamp sets, 500 liter water tanks, and computer chairs without beds.	Necessary steps are being taken to recover damages from the relevant party for the defective items.	The responsible parties should be held accountable for deficiencies.

3.4 Human Resource Management

Audit Observation	Comments of the Council	Recommendation
As at 31st December of the year under review, 25 vacancies in respect of 07 posts had not been filled in the approved staff and the excesses staff consisting of 05 persons in respect of 03 posts had not been approved.	Excesses staff approved that an application has been made to obtain the required staff.	Vacancies must be filled and excesses staff must be approved.

4. Accountability and Good Governance

Budgetary Control

Audit Observation	Comments of the Council	Recommendation
Estimated income and expenditure according to the budget prepared by the Pradeshiya Sabha for the year under review, The budget had not been used as an effective control tool due to the variations in 05 revenue items ranging from 17 percent to 66 percent and 07 expenditure items ranging from 28 percent to 63 percent when compared to the actual income and expenditure for the year.	No comments have been made.	Variability in income and expenditure should be minimized.