

Arachchikattuwa pradeshiya sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Arachchikattuwa 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, 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 Arachchikattuwa pradeshiya sabha as at 31 December 2024, and of its financial performance and cash flows 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 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 regarding the preparation of financial statements

1.6.1 Accounting deficiencies

	Audit Observation	Comments of the council	Recommendation
(a)	Although the fixed deposit interest income for the year under review should have been Rs. 7,943,167, it was recorded as Rs.11,906,368, an excess of Rs. 3,963,200.	It will be recorded correctly in the next year.	Accounts should be prepared correctly.
(b)	Although the amount of Rs. 2,900,000 receivable from the Local Government Department for the development of Arachchikattuwa and Agunawila libraries and the development of the Vairankattuwa road in the year under review had been recorded for as debtors and creditors, it had not been recorded as capital receipts and capital expenditure in the year under review.	Rs.2,900,000 receivable from the Local Government Department will be corrected as capital receipts in the next year through journal entries.	Accounts should be prepared correctly.

1.6.2 Lack of written evidence for Audit

Audit Observation	Comments of the council	Recommendation
Various debtors Rs. 373,007 and Interest on property loan Rs. 447,331 could not be satisfactorily examined due to non-submission of debtor details, balance confirmations and interest schedules.	Since our council does not have sufficient information regarding this, we have requested to the Department of Local Government to recover the balance.	Relevant written evidence should be submitted to verify account balances.

1.7 Non-Compliances

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

The observations related to non-compliances with laws, Rules, Regulations and Management decisions etc. are as follows.

	Reference to laws, rules, regulations, etc.	Non-compliance	The council's comments	Recommendation
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R.571(2)	Action had not been taken in accordance with the financial regulations regarding deposits of Rs. 1,448,340 which were over 2 years old.	Action will be taken to release the deposits related to this year, and to credit the deposits to the council's income. that cannot be released.	Financial regulations should be followed.
(b)	Code of Procedure for Local Government Institutions Paragraph 06	Although actions such as measuring and confirming the boundaries of the council's properties, installing security fences, and conducting annual surveys and inspections of the immovable properties to protect the immovable properties should have been taken, these had not been done.	Actions will be taken to protect immovable properties building the fences.	Actions should be taken to protect council properties.
(c)	Circular No. N.W.L.G.D./01/11/4/01 of the Commissioner of Local Government (North West) dated 10th January 2019 Section 06	Five shops owned by the council were leased without signing written agreements, and the agreements signed for three shops were entered without providing information such as the names of the parties to the agreement, common seals, signatures, etc.	Arrangements will be made to re-sign contracts for the relevant shops.	Agreements should be signed in accordance with the circular.

2. Financial review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the council for the year ended 31st December 2024 amounted to Rs. 43,734,653 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 30,000,888 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated revenues, Billed revenues, Collected revenues and Outstanding revenues

According to the information submitted by the Secretary, the details of estimated revenue, billed revenue, collected revenue and arrears of revenue submitted for the year under review and the previous year are given below.

Source of Revenue	Year 2024				Year 2023			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
i. Assessments and taxes	7,891	8,338	11,264	13,559	7,752	8,080	4,297	14,081
ii. Rent	7,997	8,470	8,500	1,910	7,003	9,834	9,363	2,014
iii. License fees	2,201	5,191	8,027	-	1,022	3,664	530	3,363
iv. Other income	3,395	14,361	14,361	-	1,043	13,990	15,899	-
Total	21,484	36,360	42,152	15,469	16,820	35,568	30,089	19,458

2.2.2 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) Assessments and taxes		
i. The assessed tax arrears as of 31 st March 2025 were Rs. 12,415,509, of which Rs. 5,484,322 were outstanding over 03 years and Rs. 5,835,686 were outstanding between years 01 and 03.	Necessary actions will be taken to recover the outstanding amount through programs and field inspections.	Actions should be taken to recover outstanding assessments promptly.
ii. Although the council is required to revise the assessment tax every 5 years, assessment tax was levied until 2025 based on the assessment of the year 2017.	The assessment documents related to the new assessment were provided to our institution by the Assessment Department in April 2025 and work will be done	Assessments should be conducted timely and recovered assessment tax.

to collect revenue according to the new assessment from 2026.

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| iii. | As at 31 st March 2025, the acreage tax due from landowners was Rs. 368,036, of which Rs. 329,185 was an outstanding balance that had been outstanding for more than 05 years. | Acreage leaseholders will be notified through letters and steps will be taken in the future to recover the arrears. | Actions should be taken to promptly recover outstanding acreage taxes. |
| iv. | The water tax arrears as at 31 st December of the year under review were Rs.678,598, of which Rs.545,858 was the balance that was due for a period of 01 to 05 years. | The lack of staff is the main reason for this, and as the audit has shown, actions will be taken to collect the water tax areas in the future. | Actions should be taken to recover arrears promptly. |
| (b) | Rent
Rent outstanding as at 31 st March 2025 is Rs.1,909,629, of which there was a arrears balance of Rs. 537,075 for more than 01 year and less than 05 years and a arrears balance of Rs. 1,337,805 for more than 05 years. | Legal action will be taken in the future to recover the outstanding amount. | Actions should be taken to recover outstanding rents promptly. |

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

3.1 Management inefficiencies

	Audit Observation	Comments of the council	Recommendation
(a)	In the year 2023, 15 name plates were purchased at a cost of Rs. 97,500 for publicity on lands owned by the council, and even by the end of the year under review, those name plates had not been installed on the lands.	Action will be taken in the future as indication by the audit.	Actions should be taken to ensure ownership of council lands.
(b)	The value of the payable accounts balances as at 30 th April, 2025 was Rs.5,816,365 and Rs.2,130,383 which was over 3 years old, had not been settled.	The payable balances will be paid in the future and the action will be taken to remove the excess amount from the creditors' register by obtaining the advice of the North Western Local Government Commissioner via Assistant Local Government Commissioner.	Action should be taken to confirm the existence of payable balances and settle them.

3.2 Assets Management

	Audit Observation	Comments of the council	Recommendation
(a)	Lands controlled by the council, 31 cemeteries and playgrounds had not been taken over.	The divisional Secretariat has been informed regarding the transfer of lands owned by the council. Action will be taken to re-inform in the future.	Action should be taken to acquire unclaimed properties.
(b)	The ownership of 2 plots of land measuring 1 acre, 3 rudes and 11 perches which was received to council by dividing and selling the loads to provide public facilities in 1999 and 2001. had not been acquired.	The divisional Secretariat has been informed regarding the transfer of lands owned by the council. Action will be taken to re-inform in the future.	Action should be taken to acquire ownership of the lands.

3.3 Human Resource Management

	Audit Observation	Comments of the council	Recommendation
(a)	As at 31 st December of the year under review, there were vacancies in 12 tertiary and secondary grade posts and 14 primary grade posts in the Council, while there were 03 surpluses in secondary grade posts.	Several requests were made to fill the vacancies, but so far no officers have been assigned to those vacancies. Although there are 03 surplus posts, 03 surplus development officers have been deployed due to the vacancy of management service officers.	Actions should be taken to fill employee vacancies.
(b)	A loan balance of Rs.151,916 due from 03 employees who had left the service and transferred had not been recovered.	Action will be taken to recover or waive employee loan balances.	Actions should be taken to recover outstanding employee loan balances.

4. Accountability and good governance

4.1 Budgetary control

	Audit Observation	Comments of the council	Recommendation
	The entire provision of Rs. 6,269,500 provided for 27 expenditure votes in the budget estimates during the year under review with the aim of providing services to the people of the council area had not been utilized to performance the relevant functions.	The relevant programs will be carried out next year.	The estimated work should be completed within the stipulated time frame.

4.2 Environmental Issues

Audit Observation	Comments of the council	Recommendation
It was observed that the council does not have a solid waste management center for the production of organic fertilizer, and that the approximately 75 tons of biodegradable waste collected monthly is dumped on several private lands, while non-biodegradable waste is brailed and sold.	Since garbage is collected separately, biodegradable garbage is disposed of on the land at the request of the landowners, while non-biodegradable garbage is brailed and sold.	Solid waste management should be carried out systematically.

4.3 Sustainable Development Goals

Audit Observation	Comments of the council	Recommendation
In accordance with the Sustainable Development Agenda 2030, 12 targets for 10 Sustainable Development Goals had been identified for the year under review. 35 programs had been planned to achieve those goals and targets, and 14 of those programs could not be implemented during the year.	The approval of the Honorable Governor, was not received for some programs and although approval was received for some programs, the time frames were not sufficient, so those programs were recorded as creditors and planned to be completed in 2025.	Actions should be taken to achieve sustainable development goals.