

Kalpitiya pradeshiya sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kalpitiya 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 the 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 Kalpitiya 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 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 regarding the preparation of financial statements

1.6.1 Accounting deficiencies

Audit Observation	Comments of the council	Recommendation
(a) Although agreements had been signed in the year under review to hand over the lorry bowser registered in the name of the Secretary of the Ministry of Irrigation, Water Supply and Disaster Management to the Kalpitiya Pradeshiya Sabha, it had been recorded under non-current assets at a value of Rs. 8,000,000 when it had not been physically handed over.	The Puttalam Urban Council has informed that since the lorry bowser needs to be repaired, it will be physically handed over to our council after the repairs are completed.	Assets should be recorded after confirming existence of them and after their acquisition
(b) Although according to the vehicle assessment report the value of the compactor provided by the Kuliyaipitiya Urban Council to the Kalpitiya Pradeshiya Sabha during the year under review was Rs.7,500,000 as at 29 th January 2024, It had been recorded as Rs.9,000,000 and over stated by Rs.1,500,000.	Although the valuation report of the Mechanical Engineer of the Local Government Department states that the valuation value is Rs.7,500,000, the valuation value of 9,000,000 provided by the insurance company for obtaining the 2024 annual insurance coverage has been recorded in the accounts.	Accounts should be recorded according to the government's assessed value.
(c) The payable amount of Rs.904,900 for the repair of the council's car at the end of the year under review had been recorded twice as a creditors.	It has been recorded twice by mistake. It has been corrected by Journal Entry No. 2 of 2025.	Accounts should be prepared correctly.
(d) Three plots of land measuring 122.22 perches, which were received to the Council in 2019 and 2020 to provide	Action will be taken to recorded assets that have not been	Assets should be recorded correctly.

public facilities from the lands divided and sold within the Council's jurisdiction, had not been recorded under non-current assets. recorded by mistake in the year 2025.

1.7 Non-compliances

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

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

Reference to laws, rules, regulations, etc.	Non-compliance	Comments of the council	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
i. Financial regulations 104 (3), 104(4)	Investigations had not been conducted and those responsible had not been determined regarding two vehicles that had been involved in accidents during the year under review.	The Sri Lanka Insurance Company has received insurance money to repair the vehicles involved in the accident and has carried out repairs.	Financial regulations should be followed.
ii. Financial Regulations 371(2))	Although the advance money given for a certain task should be settled immediately after the completion of the relevant task, there was an outstanding advance balance of Rs. 229,658 before 1990.	It is difficult to find information about those who received advances, so actions will be taken to resolve the issue in the future.	Financial regulations should be followed.
iii. Financial Regulation 571(2)	No action had been taken to regulate the deposits of Rs. 4,209,868 which were over 02 years old in accordance with the Financial regulations.	Lists are being prepared to act in accordance with Financial Regulation 571 (2).	Financial regulations should be followed.

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.63,047,850 as compared with the excess of revenue over recurrent expenditure amounted to Rs.40,011,831 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 information on estimated income, billed income, collected income and arrears of income submitted for the year under review and the previous year is shown below.

		2024				2023			
Source of Revenue		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	5,689	4,861	4,316	15,121	5,265	4,545	2,483	14,593
ii.	Rent	21,910	21,779	22,428	10,333	18,217	16,480	12,930	11,012
iii.	License fees	3,936	4,250	4,250	-	3,711	2,638	2,638	-
iv.	Other income	8,300	4,581	4,581	-	8,225	4,336	4,336	-
	Total	39,835	35,471	35,575	25,454	35,418	27,999	22,387	25,605

2.2.2 Performance in Revenue collection

The following are observations regarding the revenue collection performance of the council.

Audit Observation	Comments of the council	Recommendation
(a) Assessments and taxes		
I. The assessment tax arrears as at 30 th April 2025 were Rs. 12,272,649, of which Rs. 9,567,595 were arrears for more than 01 year but less than 05 years and Rs. 2,705,053 were arrears for more than 05 years. No action had been taken to recover that money.	Red notices have been issued for outstanding debts and letters have been sent to properties that may be subject to ban. Necessary steps are being taken to collect the remaining debts promptly.	Actions should be taken to recover arrears of revenue promptly.

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| ii. | As at 30 th April 2025, the water tax arrears was Rs. 333,338, and an arrears balance of Rs.327,591 remained for more than 05 years. | Since the amount of Rs. 327,591 of the arrears has been outstanding for more than 10 years, it has been referred for approval to write off from arrears list. | Actions should be taken to recover arrears of revenue promptly. |
| iii. | The acreage tax arrears at the end of the year under review was Rs.1,093,145, out of which there was a arrears of Rs.133,839 for more than 01 year but less than 05 years and a arrears balance of Rs.959,306 for more than 05 years, and no action had been taken to recover those arrears. | It has been decided to conduct a land survey, find the rightful owners, collect recoverable taxes and write off irrecoverable taxes, and take the necessary steps to submit them for approval. | Actions should be taken to recover arrears of revenue promptly. |
- (B) **Rent**
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| As at 30 th April 2025, the outstanding rent was Rs. 9,239,668, of which Rs. 2,399,929 was overdue for more than 1 year but less than 5 years, and Rs.6,839,739 was overdue for more than 5 years. Management had not paid attention to recovery outstanding amounts. | Shop owners have been informed regarding the outstanding amounts and action have been taken to collect the outstanding amounts and take legal action. | Actions should be taken to recover arrears of revenue promptly. |
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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) No actions had been taken to update the agreements for 77 shops owned by the council whose agreement period had expired, and no agreements had been entered into with the transferees for 02 shops for which transfer fees had been charged in 2020 and 2023 to transfer the ownership of the shops.	The remaining shops that have not signed agreements will be signed and completed by 30 th June 2025.	Agreements should be updated.

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| (b) | As at 30 th April 2025, there was a balance of Rs.20,253,449 in 02 receivable accounts, including a balance of Rs.583,245 that was overdue for more than 5 years. No action had been taken to recover these receivable balances, which had been outstanding for a long time. | Action will be taken to recover the balance due. | Action should be taken to recover the receivable amounts promptly. |
| (c) | As at 30 th April 2025, the value of 07 payable accounts was Rs. 47,645,650, of which there was a balance of Rs. 8,741,853 that was over 05 years old. No actions had been taken to check the existence of these long-standing balances and settle them. | The relevant payable balances has not been paid as sufficient information has not been received regarding the amount to be paid as contributions to the Pension Fund. | The existence of payable balances should be investigated and action should be taken to settle them promptly. |

3.2 Idle or underutilized property, plant and equipment

Audit Observation	Comments of the council	Recommendation
3 assets owned by the council worth Rs.22,340,000 held remained idle for a period of 03 and 04 years.	Action is currently being taken regarding the idle assets owned by the council.	Assets owned by council should be utilized with maximum efficiency.

3.3 Assets Management

Audit Observation	Comments of the council	Recommendation
(a) The Kalpitiya Pradeshiya Sabha had not acquired 69 assets including the shopping complex, weekly market, public playgrounds, children's parks, pre-schools, libraries, cemeteries, bus stops, public toilets and community halls, and had not taken steps to acquire the ownership of 04 vehicles used by the council.	Actions are being taken to acquire the 69 assets that have not yet been acquired.	Action should be taken urgently to acquire the properties.
(b) Shortages of 237 items in 03 categories of inventories were observed during the board of survey conducted as at 31 st December of the year under review,	Instructions have been given to the officers in charge of the subject to resolve the matter.	Investigations should be conducted and responsible officers should be determined according to financial regulations.
(c) A cab, a tractor, and a motorcycle that had become unusable had been parked for a long time without taking steps to dispose of them.	Action will be taken to dispose them in 2025.	Action should be taken to dispose immediately. .

3.4 Human Resource Management

Audit Observation	Comments of the council	Recommendation
(a) There were 17 secondary posts and 14 primary posts vacant in the council. Due to the vacancies in secondary posts, primary grade officers had been deployed to perform the duties of responsible posts such as cashier and officer in charge of sub offices.	The details of the vacancies in the secondary grade posts have been notified to the Chief Secretariat. Although multi-tasking assistant employees who were recruited for primary posts and directed by the Chief Secretary were deployed to the relevant vacancies, most of them were transferred due to personal difficulties, resulting in vacancies again.	Action should be taken to fill vacancies in a proper manner and the duties of the council should be formal.
(b) Action had not been taken to recover a loan balance of Rs. 289,914 due from 16 employees who had left the service during the year under review.	Two employees have completed the payment of Rs. 2177 and three are making payments in installments. Efforts are being made to recover the remaining loan balances.	Action should be taken to recover outstanding loans.

4. Accountability and Good Governance

4.1 Budgetary control

Audit Observation	Comments of the council	Recommendation
The entire provision of Rs. 6,339,260 provided for 12 expenditure votes in the budget estimates during the year under review had not been utilized for the relevant activities.	Provisions had been made under capital expenditure in the 2024 budget, but the work in the contract section could not be carried out as planned because the technical officers were not available at that time.	Operational activities should be carried out in a manner that enables the achievement of budgeted targets.

4.2 Sustainable Development Goals

Audit Observation	Comments of the council	Recommendation
The Council had identified 11 sustainable development goals for the year under review and planned to implement 48 programs, and during the year under review, about 19 programs were implemented, spending Rs.29,635,988.	No comments.	Action should be taken to achieve sustainable development goals.