

Puttalam Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Puttalam 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 Puttalam Pradeshiya Sabha as at 31 December 2024, and of its financial performance and cash flow 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) The value of library books received as donations in the year under review amounting to Rs. 477,915 had not been accounted as capital receipts.	It will be accounted in 2025.	Should be accounted correctly.
(b) Although liabilities that take more than one year from the date of the statement of financial position to settle should be recognized as non-current liabilities and liabilities have to be settled within one year should be recognized as current liabilities, the loan installment amount of Rs. 3,000,000 payable in 2025 to the Local Loans and Development Fund had been accounted as non-current liabilities.	It will be accounted in financial Statements of 2025	Should be accounted correctly.

1.6.2 Unreconciled control accounts

Audit Observation	Comments of the council	Recommendation
A difference of Rs.1,458,634 was observed of 03 accounting subjects between the balance as per the financial statements and the balance as per the schedules.	Action will be taken to correct the accounting errors with the financial statements for the year 2025.	Differences between the account balances shown in the financial statements and the schedules must be corrected.

1.7 Non- Compliance

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

Non-compliance with Laws, Rules, Regulations and Management Decisions are as follows.

	Reference to laws, rules, regulations, etc.	Non-compliance	The council's comments	Recommendation
	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(a)	F.R.104(3), 104(4)	No investigation into had been conducted to determined the damage to the tractor that was occurred in accident on 14 th March 2024 and to determine responsibility.	A complaint has been filed with the police and the insurance company has been notified to repair the tractor due to the door glass breaking in the sunlight during the day while it was parked in the parking lot.	Financial regulations should be followed.
(b)	F.R.571(2)	No action had been taken to regulate deposits exceeding 02 years in accordance with the financial regulations.	About 75 percent of the deposits have been credited to the council fund and released to the depositors in accordance with the financial regulations. Final notices have been issued to the relevant depositors for the remaining deposits.	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 Sabha for the year ended 31 December 2024 amounted to Rs. 61,818,544 as compared with the excess of revenue over recurrent expenditure amounted to Rs.48,731,640 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.

		<u>2024</u>				<u>2023</u>			
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	11,357	15,975	9,930	9,349	3,736	3,150	2,254	2,582
ii.	Rent	21,553	19,306	9,706	11,625	18,800	18,016	13,348	9,494
iii.	License fees	2,907	1,107	1,695	-	2,855	1,997	1,997	-
iv.	Other income	8,365	8,801	8,801	-	9,400	6,099	6,099	-
	Total	44,182	45,189	30,132	20,974	34,791	29,262	23,698	12,076

2.2.2 Performance In Revenue collection

The observations regarding the revenue collection performance of the council are as follows

Audit Observation	Comments of the council	Recommendation
(a) Assessment and taxes		
i. The assesment tax arrears at the end of the year under review was Rs. 8,460,503, of which the outstanding balance for a period of 01 to 05 years was Rs. 8,413,100 and the outstanding balance for more than 05 years was Rs. 47,403.	An amount of Rs. 1,202,478 had been recovered from this arrears, and action will be taken to recover the arrears through mobile programs and prohibition of properties	Actions should be taken to recover the outstanding revenue promptly.
ii. The arrears of acreage tax as at 30 th April 2025 were Rs. 879,861, of which Rs. 378,013 was an arrears balance for more than 05 years and Rs. 510,848 was an arrears balance for a period of between 01 and 05 years.	An acreage tax survey has been conducted, landowners have been informed in writing about the arrears and actions are currently being taken to recover those arrears.	Actions should be taken to recover the outstanding revenue promptly

(b) **Rent**

As at 30th April 2025, the outstanding rent was Rs. 10,255,725 and that amount was an outstanding balance for a period of between 01 and 04 years.

Legal action will be taken to recover the outstanding amount.

Actions should be taken to recover the outstanding revenue 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) As at 30 th April 2025, the value of 11 receivable accounts was Rs. 26,387,537, of which there was a balance of Rs. 20,840,518 that was overdue for more than 05 years. Management had not paid attention to the recovery of these outstanding balances.	An amount of Rs. 8,412,377 has been received from the outstanding balance and actions will be taken to recover that amount after finding information regarding the old outstanding balances.	Action should be taken to recover the balance due.
(b) As at 30 th April 2025, the value of 07 payable accounts was Rs. 2,238,105, of which there was a balance of Rs. 278,714 that exceeded the one year. No action had been taken to verify the existence of these payable balances and settle them.	An amount of Rs. 2,945,502 had been paid. Action will be taken to obtain information for other payments and to pay the amounts due, and to credit the money of those who do not present to the council fund in accordance with the financial regulations.	Action should be taken to settle the outstanding balance.

3.2 Operational inefficiencies

Audit Observation	Comments of the council	Recommendation
(a) Business activities had been carried out for 17 shops located on Thoduwawa Road, Madurankuliya, without paying rent and renewing the agreements since April 2022. A balance of Rs. 3,276,087 was to be collected	An advance payment had been made to the Valuation Department for a new valuation of the shops and action will be taken to enter new agreement as soon as the new assessment is received and to recover the	Action should be taken to assess shop rent timely sing the agreement and collect the rent properly.

from these shops by the end of the year under review and action had not been taken in accordance with the provisions of paragraph 6(d) of the lease agreement regarding the non-payment of rent.

outstanding amounts when signing the new agreements.

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| <p>(b) Although the agreement period signed for shop No 03 and 04 of the Madurankuliya New Shopping Complex had expired on 09 July 2023, No action had been taken to renew them.</p> | <p>Action will be taken to immediately enter into new agreements with the lessees for shop No 03 and 04.</p> | <p>Action should be taken to sign agreements properly.</p> |
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3.3 Assets Management

Audit Observation	Comments of the council	Recommendation
(a) 112 lands, including weekly markets, shops, libraries, pre-schools, children's parks, public tube wells, cemeteries and sports fields, which are maintained and used by the council, had not been taken over by the council.	Since the survey orders and survey work had been completed to take over all the assets maintained and used by the council, the necessary action have been directed to the Divisional Secretariats to take over those land plots.	Actions should be taken to take over ownership of properties used by the council.
(b) Although there were freehold deeds in the name of the council for 06 plots of land of approximately 02 acres, the Land Survey Board conducted in the year under review was unable to identify lands physically.	Necessary actions are being taken to identify these land plots submitting them to the Divisional Secretariat in the future.	Action should be taken to ensure the ownership and physical existence of council properties.
(c) It was observed that unauthorized constructions had been carried out by outside parties on 03 lands due to the weakness of the Council's security and supervision regarding lands controlled and maintained by the Council.	The relevant subject officer has been informed to take legal action regarding the unauthorized constructions at the Madurankuliya weekly fair site. Since the lands with the Palaviya public toilet and Mundalama public toilet had not yet been handed over to the council, action will be taken to remove the relevant unauthorized constructions after taking over them.	Actions should be taken to protect assets of council.

3.4 Human Resource Management

	Audit Observation	Comments of the council	Recommendation
(a)	There were vacancies in 06 secondary posts and 05 primary posts in the council, while there was a surplus of 02 primary posts. Due to the existing employee vacancies in the Pradeshiya Sabha, it was observed that primary grade employees were performing duties in secondary grade posts in addition to the duties of their regular posts.	A notification has been issued to the Department of Local Government to fill these employee vacancies. As a result, primary grade employees have been deployed to cover the duties of secondary grade vacancies.	Actions should be taken to fill vacancies in the posts, maintain the functions of the Council in a proper manner, and approve surplus posts.
(b)	Action had not been taken to recover the outstanding loan balance of Rs.413,671 from 08 officers who had left the service and died.	It has been notified through letters to recover the above amount from guarantors.	Action should be taken to recover the outstanding loan balance.

4. Accountability and good governance

4.1 Budgetary control

Audit Observation	Comments of the council	Recommendation
Due to the fact that 38 tasks planned to be implemented in the year under review with the aim of providing services to the people of the council area were not implemented during the year, the estimated provisions of Rs. 17,265,000 for those tasks remained completely.	A number of development programs, including funds allocated and planned in the 2024 budget, could not be implemented due to the heavy rains and floods that occurred during the year.	Actions should be taken to complete the budgeted tasks within the year.

4.2 Sustainable Development Goals

Audit Observation	Comments of the council	Recommendation
In order to achieve the goals and targets to be achieved in accordance with the Sustainable Development Agenda 2030, the Council had identified 38 targets under 17 Sustainable Development Goals for the year 2024 and an expenditure of Rs. 25,875,000 had been incurred to achieve 11 goals. Provisions had not been made for the remaining 06 goals.	action will be taken to achieve the Sustainable Development Goals by 2025.	Action should be taken to achieve sustainable development goals.