Dehiaththakandiya Pradeshiya Sabha - 2024
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1. Financial Statements
1.1 Qualified Opinion

The audit of the financial statements of the Dehiaththakandiya Pradeshiya Sabha for the year ended 31 December 2024 comprising with the Balance Sheet as at 31 December 2024 and Income and Expenditure Account, for the year then ended 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 sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and sub-section 10 (1) of 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Dehiaththakandiya 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

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements

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 this 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 Sub-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 to be prepared.

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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Designed and performed the appropriate audit procedures, identified and assessed the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.

- Obtained 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 the internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Evaluated 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 the Pradeshiya Sabha 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 Sabha	Recommendation
(a)	The interest income on fixed deposits receivable as at 31st December of the year under review was overstated by Rs. 417,726, and the interest income for the year under review by Rs. 137,969.	It was identified that the error occurred due to the incorrect calculation of fixed deposit periods when calculating interest income and action will be taken to correct the error in the 2025 financial statements.	Income should be accounted for correctly.
(b)	Rs. 11,772,443 incurred in relation to 14 projects carried out under the LDSP, PSDG program and special projects had not been capitalized.	Action will be taken to correct through the 2025 financial statements.	Capital expenditure should be accounted for correctly.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
As of December 31st of the year under review, there was a difference of Rs. 350,487 between the balances as per the register and the balances as per the financial statements in 04 balances.	The balance shown in the financial statements is correct and the error in the document is identified and corrected.	The reasons for difference should be identified and corrected.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the absence of evidence such as land deeds, board of survey reports, fixed asset registry, mixed deposit registry and schedules for 06 account	Action will be taken to correct it in the future.	Evidence confirming the account balances shown in the financial statements should be

subjects totalling Rs. 428,100,397 as stated in the financial statements, it was not possible to satisfactorily verify them.		submitted.	

1.7 Non- Compliances

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	Non-compliance	Comments of the Sabha	Recommendation
(a)	Pradeshiya Sabha Act No. 15 of 1987			
	National Environment Act No. 47 of 1980 as amended by Acts No. 56 of 1988 and No. 53 of 2000	All institutions within the council's area of authority that were required to be issued environmental protection permits had not been identified and action had not been taken to issue environmental permits.	Necessary steps will be taken to issue environmental permits to institutions that have not yet received environmental permits after conducting surveys in the area of authority.	Actions should be taken in accordance with the provisions of the Environment Act.
(b)	Pradeshiya Sabha (Financial and Administrative Rules) Act, 1988			
	(i) Rule 33	Lists of assessment tax defaulters were not prepared and necessary steps were taken to seize the properties.	Necessary legal action will be initiated and action will be taken to recover the arrears balances.	Actions should be taken in accordance with financial and administrative rules.
	(ii) Rule 59	Although at the beginning of each year, a survey should be conducted within the Sabha area of authority by the Revenue Inspector or an officer authorized by the Chairman and a list of businesses and industries should be prepared and	The position of Revenue Inspector in the Sabha is currently vacant, and the acting officer in that position is an office assistant. Instructions have been given to update the register of	Actions should be taken in accordance with financial and administrative rules.

		submitted to the Secretary of the Sabha on or before March 31 of each year, action had not been taken accordingly.	businesses and industries and necessary action will be taken to rectify it promptly.	
	(iii) Rule 218	Although all lands and buildings owned by the Sabha should be inspected at least once a year, no action had been taken accordingly.	Action will be taken to inspect all lands and buildings owned by the Sabha.	Actions should be taken in accordance with financial and administrative rules..
(c)	Paragraph 3 of Public Administration Circular No. 30/2016 dated 29th December 2016	Although vehicle fuel combustion tests should have been conducted, the Sabhal had not done so.	Fuel combustion tests have already been conducted on several vehicles, and actions are being taken to repair the existing defects in other vehicles and conduct fuel tests.	Action should be taken as per circulars.

2. Financial Review

2.1 Financial Result

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. 16,682,803 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 13,707,370 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 presented by the Chaiman of the Council relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

		2024				2023			
	Source of Revenue	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.
i.	Rates and Taxe	1,739,311	1,850,471	1,766,020	2,403,893	1,639,312	1,833,172	1,664,976	2,319,442
ii.	Rent	18,312,761	19,558,127	19,090,659	3,236,543	17,544,027	15,726,511	14,850,934	2,769,076
iii.	License Fees	1,800,000	2,244,400	2,325,500	427,700	2,125,500	2,503,210	2,520,710	508,800
iv.	Other revenue	7,084,075	10,084,281	11,357,721	691,025	7,908,310	10,233,586	8,538,811	1,964,465
	Total	**28,936,147**	**33,737,279**	**34,539,900**	**6,759,161**	**29,217,149**	**30,296,479**	**27,575,431**	**7,561,783**

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Sabha are given below.

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The arrears assessment balance as on 31st December of the year under review was Rs. 2,403,863 and out of the arrears assessment amounting to Rs. 2,319,442 which was to be recovered as on 01st January 2024, only Rs. 382,220 had been recovered in the year 2024. Accordingly, the progress in recovery of arrears remained at a very low level of about 16 percent.	Due to the absence of a permanent revenue inspector in the Sabha, there are delays in collecting arrears of revenue. Actions are being taken manage it as much as possible and to minimize arrears of revenue.	Action should be taken to recover arrears of revenue promptly.
(b)	The arrears stall rent balance as at 31st December of the year under review was Rs. 2,402,372 and the Sabha had not taken legal action to recover the arrears balance.	In order to collect the arrears of rent, final notices will be sent to the relevant arrears shop owners and legal action will be taken to recover the arrears.	Legal action should be taken to promptly recover revenue in arrears.

3. Operational Review

3.1 Fulfilment of functions assigned by the Act

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.

Audit Observation	Comments of the Sabha	Recommendation
Under Section 126 of the Pradeshiya Sabha Act, matters for which by-laws to be enacted had not been identified and by-laws had not been enacted, and by December 31, 2024, only 05 by-laws had been enacted.	Since, there are delays in granting approval from the Eastern Provincial Council Regarding the absence of by-laws under Section 126 of the Pradeshiya Sabha Act, which the audit continues to point out, Currently, 5 by-laws have been enacted and are being implemented.	The functions of the Sabha should be legalized by enacting by-laws.

3.2 Management inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	In violation of Additional Terms and Conditions No. 2.2 and 2.3 of the Environmental Permit, approximately 16 tons of non-biodegradable waste generated monthly was dumped in the open ground. Accordingly, since dumping non-biodegradable waste in the open ground causes severe environmental damage, the Sabha's urgent attention should have been paid to a non-biodegradable waste recycling program.	Due to the lack of machinery, it is not possible to carry out these activities on a daily basis. Once a certain amount of garbage has collected, it is covered with soil.	Action should be taken in an environmentally friendly manner.
(b)	The Pradeshiya Sabha had collected 240 tons of biodegradable and non-biodegradable waste and 16 tons of non-biodegradable waste monthly in the year 2024 at a cost of Rs. 3,767,211, and had produced 3500 kilograms of compost from biodegradable waste and sold 2350 kilograms of that stock, collecting only an income of Rs. 46,000.	Sales decreased due to the decrease in demand for organic fertilizers due to the re-use of chemical fertilizers. Public awareness programs on the use of organic fertilizers will be conducted to increase demand.	Action should be taken to increase income generation.
(c)	No action had been taken to identify the responsible officers for 62 items of goods identified as deficient by the 2022 Board of Survey and bring the relevant goods to the Sabha	Action will be taken to follow proper storage practices	The Sabha's attention should have been focused on formalizing of warehouse management practices.

3.3 Operating Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
While assessment tax is levied on properties belonging to the Pradeshiya Sabha area based on the valuation of the year 2011, steps had not been taken to assess the properties time to time and levy assessment tax on them.	Requests have been made from time to time to conduct a reassessment from the Valuation Department since 2011, but no response has been received so far. Action will be taken to make further requests.	Property should be valued periodically and income should be collected based on that.

3.4 Assets Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The value of 44 cemeteries, 38 playgrounds and lands on which other buildings are located belonging to the Pradeshiya Sabha had not been identified and accounted for.	Action will be taken to correct it in the future.	Property values should be identified and accurately accounted for.
(b)	The value of 03 vehicle items owned by the Pradeshiya Sabha had not been identified and accounted for.	Action will be taken to correct it in the future.	The values of vehicles should be identified and accurately accounted for.
(c)	The Sabha had not taken action to transfer the ownership of 06 vehicles in the possession of the Sabha in the name of the Sabha.	Since our organization does not have formal transfers of the vehicles donated by UNEP and other organizations, it has been impossible to make the transfers.	Action should be taken to transfer ownership of the vehicles to the Sabha after consulting the Commissioner of Motor Traffic.

3.5 Human Resource Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	By the end of the year under review, there were vacancies for 12 officers in 9 posts and a surplus of one field worker post.	Although there are staff vacancies as indicated by the audit and thus problems have arisen in carrying out the functions of our institution, due to the delay in these recruitments by the Eastern Provincial Council, this problem has not been resolved.	Action should be taken to fill the vacancies.
(b)	According to the employee loan register, 03 loan balances worth Rs. 254,155 had not been recovered from the borrowers or guarantors for a period of 02 years.	As pointed out by the audit, Rs. 123,060 worth of employee advance loans have been notified for deductions in the payment of pension to Mr. P.G. Samaratunga and R. Piyatissa, who has left the service, has now been informed again about this and that necessary steps	Action should be taken to promptly recover outstanding loan balances.

	will be taken to make collections in the future.	

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Sabha	Recommendation
Although the recommendations for improving organizational operational processes and enhancing performance through internal audit should be prepared and implemented in a systematic manner covering all sectors, in accordance with Section 40 of the National Audit Act No. 19 of 2018 and Financial Regulations 133(1), .the Pradeshiya Sabha had not taken action accordingly,	Internal audit committees have been appointed for the year 2024, committee reports have been prepared for each quarter, and necessary action has been taken.	Recommendations for improving organizational operational processes and enhancing performance should be prepared and implemented in accordance with the Act.

4.2 Audit Committees

Audit Observation	Comments of the Sabha	Recommendation
In accordance with the Internal Audit Guidelines Circular No. DMA/2009(1) dated 09 June 2009 of the Department of Management Audit, the Sabha had not established the Audit and Management Committees and held committee meetings during the year under review.	As indicated by the audit, an internal audit committee is actively operating for this year.	Action should be taken to establish an audit and management committee and hold meetings.

4.3 Sustainable Development Goals

Audit Observation	Comments of the Sabha	Recommendation
The Sabha had not taken adequate measures to collect the necessary data and provide the necessary financial provisions to achieve the sustainable development goals and objectives in accordance with the Sustainable Development Act No. 19 of 2017.	Action will be taken to achieve sustainable development goals in accordance with the circular.	The Sabha should take action to collect the necessary data and make the necessary financial provisions in accordance with the circular to achieve sustainable development goals and objectives.