

Dehiwala Mount Lavinia Municipal Council - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Dehiwala Mount Lavinia Municipal Council for the year ended 31 December 2024 comprising the Statement of Assets and Liabilities as at 31 December 2024, Statement of Comprehensive Income, Statement of Changes in Net Assets/Equity, Cash Flow Statement 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 Section 219 of the Municipal Councils Ordinance (Chapter 252) and Sub-section 10(1) of the 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 paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Dehiwala Mount Lavinia Municipal Council as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

1.2. Basis for Qualified Opinion

I expressed qualified opinion regarding financial statements 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 Sri Lanka Public Sector Accounting Standards for Local Authorities, 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 Municipal council's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Municipal council 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 Municipal council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Municipal council has complied with applicable written law, or other general or special directions issued by the governing body of the Municipal council;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources of the Municipal council 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 Municipal council 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 Non-Compliance with Sri Lanka Public Sector Accounting Standards for Local Authorities

Non-Compliance with the reference to particular Standard	Comments of the Council	Recommendation
(a) Although, as per Paragraph 2.5 of Chapter 2 of the Standard, an entity's financial statements should be prepared on an accrual basis of accounting, the Council had shown the cash receipts during the year instead of the revenue billed in preparing its financial statements. As a result, the revenue for 2 revenue heads had been understated by Rs. 31,741,336, while the revenue for 8 revenue heads had been overstated by Rs. 33,223,321.	According to the decisions of the Special Management Committee, only stamp fees, court fines, and business taxes had been accounted for on a cash basis.	Revenue should be accounted for in accordance with the standard.
(b) According to paragraph 3.7 of Chapter 3 of the Standard, the budgetary information prepared by an entity should be presented in the financial statements for the relevant period; however, such action had not been taken.	Action will be taken in the future in accordance with paragraph 3.7 of Chapter 3 of the Accounting Standard.	Action should be taken in accordance with the standard.
(c) According to paragraph 6.1 (b) of section 6 of the Standard, if an asset is expected to be used for more than one reporting period, it should be recognized as a long-term asset. However, the Municipal Council had not identified library books as assets up to the year under review, nor accounted for or depreciated them over their useful life.	Action will be taken to account for the library books in the financial statements for the year 2025.	Action should be taken in accordance with the standard.

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| (d) | Since the Statement of Changes in Net Assets/Equity for the year ended 31 December 2024 had not been prepared in accordance with the format prescribed in the standard, the accumulated funds and reserves amounting to Rs.115,554,214 had not been disclosed. | Action will be taken through the 2025 final accounts to correct the errors that have occurred. | Action should be taken in accordance with the standard. |
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1.6.2 Accounting Policies

Audit Observation	Comments of the Council	Recommendation
Due to the adoption of the accounting policy of considering the business tax revenue received during the year as business tax of the year without proceeding in accordance with accounting related to the financial administration order 296 and order 300 of the Municipal Councils, the arrears of business tax revenue of Rs. 100,969,690 as at 31 December 2024 had not been disclosed in the financial statements.	In accordance with the decision of the Management Committee, the business tax revenue received during the year has been accounted for on a cash basis as the business tax for that year.	Action should be taken to account for it correctly.

1.6.3 Accounting Deficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	During the year under review, the costs of 20 incomplete roads, streets, and culverts projects amounting to Rs. 42,460,181, along with the costs of incomplete construction projects amounting to Rs. 35,183,526, had been capitalized. As a result, the assets accounts were overstated by these amounts.	As the bills had been submitted by 31 December 2024, the projects had been capitalized accordingly, and action will be taken to correct them in the year 2025.	They should be accounted for correctly.
(b)	During the year under review, an expenditure of Rs. 7,096,861 incurred for canal cleaning had been capitalized under the roads, streets, and culverts account, resulting in an overstatement of the asset account by the same amount.	Action will be taken to be corrected in the year 2025.	Action should be taken to account for it correctly.
(c)	As at 31 December 2024, the current assets were understated since the rent due from the cable TV project of Rs.4,500,000 was not disclosed in the financial statements.	That the decision of the Management Committee of the Council has been submitted for the approval of the Hon. Governor to be	The revenue to be collected should be accounted for correctly.

write-off from the books.
Further action will be taken
based on the Governor's
response letter.

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| (d) | The advance rent income of Rs. 201,246 received prior to 31 December 2024 had been accounted for as income for the year under review. As a result, the surplus for the year was overstated, and the current liabilities were understated by the same amount. | Action will be taken to be corrected in the year 2025. | Action should be taken to account for the advanced income correctly. |
| (e) | Although the net assets/equity as at 31 December 2024 as per the revised statement of financial position were Rs.6,135,300,638, as per the audit calculations, the cumulative surplus/(deficit) was Rs. 5,463,997,883 and the unrecognized capital expenditure grants was Rs. 994,130,865, resulting in a total equity of Rs.6,458,128,748. Accordingly, the equity had been overstated by Rs. 322,828,110. | Action will be taken in the preparation of the 2025 financial statements to correct the deficiencies through rectification of the errors in the Statement of Changes in Equity. | The financial statements should be prepared accurately. |

1.6.4 Unreconciled Control Accounts or Records

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| (a) A difference of Rs. 54,912,936 was observed when reconciling the balances of seven account Subjects in the financial statements with the corresponding balances shown in the supporting documents. | Action will be taken to correct. | Action should be taken to examine the differences and correct them. |
| (b) Although Rs. 115,554,214 had been shown under Note 05 of the financial statements as non-recurrent expenditures for government-provided physical plans, as per the information submitted for audit that amount was Rs. 109,340,340 and resulting in a difference of Rs.6,213,874. | Action will be taken to correct this in the preparation of the 2025 financial statements. | Action should be taken to examine the differences and correct them. |

1.7 Non - Compliances

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

Non-compliances with Laws, Rules, Regulations and Management decisions as follows.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Orders on accounting related to the financial administration of the Municipal Council			
(i)	373.1	Although the physical verification and quantitative identification of inventories as at 31 December of each year should be carried out for the purpose of including the value of inventories in the annual accounts, 899 items had not been verified.	Action will be taken to physical verification and quantitative identification of inventories as at 31 December 2024 will be carried out through the annual stock verification.	Action should be taken in accordance with the order.
(ii)	477.2.2	Although a shortage of 87.39 cubes relating to 4 construction material items and 291 units relating to 3 items, as well as an excess of 12.16 cubes relating to 2 items, existed at the Aththidiya construction materials yard, no action had been taken in this regard.	Action will be taken to record the shortages identified in the inventory verification report for the year ended 31 December 2024 in the losses and damages register and to appoint a board of survey accordingly.	Action should be taken in accordance with the order.
(b)	Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka			
(i)	F.R. 139 (8)	Although an officer authorized to make payments against certified vouchers is responsible to the Accounting Officer to	Due to the busyness of the bookkeeping department at the end of 2024, the recording of the said 04 vouchers	Action should be taken in accordance with the Financial Regulation.

		ensure that each payment is recorded in the prescribed documents and accounted for in a proper manner, 04 payment vouchers totaling Rs.37,444,588 relating to the months of November and December 2024 were not recorded in the cash book and the lines for the same were left blank.	in the cash book had been omitted.	
(ii)	F.R. 272 (3) (4)	32 payment vouchers totaling Rs. 204,496,091 relating to the month of December 2024 had not been submitted for audit.	That the vouchers were not submitted for audit as payments had not been made at the time of the audit.	Action should be taken in accordance with the Financial Regulation.
(iii)	F.R.386 (7) and F.R. 391 (b)	Instead of keeping 1,538 cheque counterfoils totaling Rs.1,790,418,897 from January to December 2024 securely within the cheque book, it was not possible to present the cheque counterfoils for audit purposes due to counterfoils were removed and stored improperly in a bag.	From 2025 onwards, following the printing of cheques, the counterfoils will be separated, arranged in proper cheque number sequence, and securely stored.	Action should be taken in accordance with the Financial Regulation.
(c)	Paragraph 6 of the Asset Management Circular No. 04/2018 dated 31 December 2018 issued by the Ministry of Finance and Mass Media	Although government lands should be valued and accounted according to the valuation procedures outlined in the Non-Financial Assets Valuation Guidelines, 209 lands within the Dehiwala Divisional Secretariat identified through the 2022 Property Survey had not been valued and accounted.	The committee appointed to assess the land owned by the Municipal Council is currently carrying out land valuation work, and according to that valuation, the lands will be capitalized and included in the 2025 financial statement.	Action should be taken according to the circular.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 1,330,378,086 as compared with the excess of revenue over expenditure amounted to Rs. 810,103,015 in the preceding year.

2.2 Financial Control

	Audit Observation	Comments of the Council	Recommendation
(a)	Although during the year under review, the Municipal Council closed the savings account maintained at the People's Bank, this had not been disclosed in the financial statements.	The balance of the savings account maintained at the People's Bank had been transferred to the main current account, and the account had been closed accordingly.	It should be disclosed in the financial statements.
(b)	A sum of Rs. 4,500,000 deposited by the Council on 06 March 2018 in the Deposit Account of the Ratmalana Divisional Secretariat for the road widening project from Wanaratne Road to Fonseka Road had remained inactive up to the end of the year under review.	The work had been delayed due to practical difficulties encountered in acquiring this land.	Action should be taken either to complete the relevant work or to recover the money if it cannot be done.

2.3 Revenue Administration

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

According to the information presented by the commissioner the Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Revenue source	2024				2023			
	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.) '000	(Rs.) '000	(Rs.) '000	(Rs.) '000	(Rs.) '000	(Rs.) '000	(Rs.) '000	(Rs.) '000
Rate & Taxes	846,966	879,875	753,555	910,129	785,505	834,504	680,471	680,471
Rent	20,500	14,627	39,088	9,808	15,798	20,522	29,439	13,661
Licence Fee	10,000	9,925	8,144	—	9,325	9,530	5,204	4,326
Other Revenue	19,857	18,556	23,674	12,995	16,456	20,381	24,778	13,887
Total	897,323	922,983	824,461	932,932	827,084	884,937	739,892	712,345

2.3.2 Performance in Revenue Collection

Observation made on performance in revenue collection as follows:

	Audit Observation	Comments of the council	Recommendation
(a) Rates			
(i)	The opening balance of arrears of rates for the year under review was Rs. 763,796,919, out of which Rs. 572,513,928 or 75 percent, had not been recovered during the year.	It was stated that the economic crisis caused by the COVID-19 pandemic has directly affected these arrears of rates, and that the Council has not yet resorted to property prohibitions activities.	Action should be taken to recover the arrears of revenue.
(ii)	As at 31 December 2024, there was an arrears of rates amounting to Rs. 900,541,672 relates to 45,685 properties. Out of this, Rs. 104,615,997 was recoverable from 1,474 properties valued between Rs. 50,000 and Rs. 100,000, and Rs. 452,128,277 was recoverable from 1,315 properties valued at over Rs. 100,000.	It was stated that the economic crisis caused by the COVID-19 pandemic has directly affected these arrears of rates, and that the Council has not yet resorted to property prohibitions activities.	Action should be taken to recover the arrears of revenue.
(b) Solid waste tax			
	As at the end of the year under review, the revenue from solid waste charges receivable to the Council amounted to Rs. 12,204,244.	From the outstanding as at 31 December 2024, the amount collected up to 31 May 2025 was Rs. 4,508,841.	Action should be taken to recover the arrears of revenue.
(c) Rent			
(i)	It was observed that the Council did not have records of the rent and that the information related to rent was maintained through the computer system, and therefore it was not possible to separately obtain the number of receipts in the year under review from the outstanding of the previous year and the receipts for the current year.	This issue will be resolved in the future as other rental records have been corrected since January 2025.	Action should be taken to maintain information accurately.

Accordingly, it was not possible to check and verify the efficiency of collection of rent revenue in the year under review.

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| (ii) | Since the age analysis related to the arrears of rent was not submitted to the audit, it was not possible to examine and verify from how long the arrears outstanding at the end of the year had been continuing. | It was not possible to separately obtain the receipts for the year under review and the receipts for the current year from the previous year's outstanding in the computer system until December 2024. | Action should be taken to maintain accurate information related to outstanding rent. |
| (iii) | As at 31 December 2024, an amount of Rs. 10,999,055 was receivable from 42 properties with arrears exceeding Rs. 100,000 each, and an amount of Rs. 2,094,912 was receivable from 28 properties with arrears between Rs. 50,000 and Rs. 100,000 each. | As at 11 June 2025, a sum of Rs. 920,309.74 had been recovered from 42 properties with arrears exceeding Rs. 100,000 as at 31 December 2024, and a sum of Rs. 902,874.55 had been recovered from 28 properties with arrears between Rs. 50,000 and Rs. 100,000. Action has been taken to seal the properties for which payments were not made. | Action should be taken in accordance with the agreements to recover the rental arrears. |
| (iv) | According to order 313 on accounting related to the financial administration of the Municipal Councils, the Executive Head or Head of Administration of the Local Authority shall take all actions to properly follow the provisions of the basic law and order when dealing with the leasing or renting out property, However, 10 properties had been rented out without entering into formal agreements. | It is reported that one of the 10 properties has already been tendered, and an agreement has been signed, and the other 7 properties have been referred to the Revenue Examination Division for sealing. | Action should be taken in accordance with the accounting related to the financial administration order. |
| (v) | According to order 312 on accounting related to the financial administration of the Municipal Councils, the monthly rent payable to an agreement should be paid on or | Action have been taken to recover the sum of Rs.651,229 as at 31 May 2025 out of the arrears as at 31 December 2024. | Action should be taken to recover the arrears of rent. |

before the 10th day of the relevant month. However, according to the information provided by the Revenue Division, rent arrears amount of Rs. 2,272,550 existed in respect of 12 out of 15 properties leased by the Council as at 31 December 2024.

(d) License Fees

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| <p>(i) Although a survey of the properties liable for industrial tax and business tax within each municipal council area should be carried out and the relevant lists should be prepared annually by the revenue inspectors before 31 March of the year to which the tax relates in accordance with order 296 on accounting related to the financial administration, the council had issued trade licenses based on the year 2019 survey information up to the year 2023 without conducting the said survey After the year 2019. Survey had not been carried out for the year 2024 and a relevant list had not been prepared.</p> | <p>There are not enough revenue examiners to conduct a survey.</p> | <p>Surveys should be conducted as per the orders.</p> |
| <p>(ii) As the above instructions had not been followed in relation to the issuance of trade licenses for the year 2024, there were institutions that had not been billed and licenses not issued due to their non-inclusion in the trade license register, as well as institutions for which trade licenses had been issued for the year 2024 but had not been billed.</p> | <p>That an accurate value could not be calculated due to the absence of a survey.</p> | <p>A proper survey should be carried out, and license fees should be billed accordingly.</p> |
| <p>(iii) Although 683 businesses had been operating without</p> | <p>Legal action has been taken against the businesses that have</p> | <p>Legal action should be expedited.</p> |

obtaining licenses, legal action had been taken only against 47 of them. The number of businesses against which legal action had not been taken represented 93 percent of the total number of unlicensed businesses.

exceeded the time period, and it is expected that significant progress will be achieved in the future through taking legal action against the businesses that have not obtained trade licenses.

2.4 Surcharges

Audit Observation	Comments of the Council	Recommendation
As per the provisions of the Municipal Council Ordinance Rs.2,437,078 was to be recovered on 31 December 2024 for the surcharges imposed by the Auditor General in the period from 1995 to 2015 against the responsible parties.	Immediate action will be taken in accordance with the instructions received from the Commissioner of Local Government	Action should be taken to collect the surchargers.

3. Operational Review

3.1 Performing the 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 Council under Section 4 of the Municipal Councils Ordinance are shown below.

Audit Observation	Comments of the council	Recommendation
(a) Although the implementation of a project to sell leaving waste, 19,284 tons of leaving garbage had been disposed of at the Karadiyana landfill at a cost of Rs. 19,283,580 in the year under review. Accordingly, the council has not focused on selling the garbage to another party or implementing a compost project and selling manure.	Although an agreement had been made for leaving waste project, the contracted party did not transport the total quantity of collected leaving waste. As a result, the waste was disposed of in the yard as before. Plans are being made to hand over to the external party. However, the lack of sufficient land to implement a compost project is problematic in implementing the project.	Action should be taken to minimize the cost of waste disposal.

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| <p>(b) Although the budget had allocated Rs. 43,500,000 for the total capital cost, including Rs. 2,500,000 for the construction of a biogas plant for solid waste management, Rs. 5,000,000 for the improvement of the recycling project, Rs.30,000,000 for the purchase of 01 boom truck, 05 tractors and Rs.6,000,000 for the purchase of office equipment, out of which Rs.2,573,144 had been spent on the purchase of office equipment only.</p> | <p>It was stated that it was not possible to proceed with the project by selecting a site behind the Mount Lavinia Cemetery for the construction of a biogas plant, and that the approval of the General Treasury has now been received to purchase the necessary tractors, and that they are expected to purchase them soon.</p> | <p>Action should be taken to implement relevant projects by utilizing the funds effectively.</p> |
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3.2 Uneconomic Transactions

Audit Observation	Comments of the council	Recommendation
Rs. 309,260 had been paid to Sri Lanka Telecom from January to April 2024 for unused internet connections.	The error has been corrected and removed from the bills since June 2024.	Good control over expenses should be maintained.

3.3 Management Inefficiencies

Audit Observation	Comments of the council	Recommendation
(a) There were 256 cheques with a total value of Rs. 198,770,400 as at the audit date of 17 December 2024 in which only the cheque number was mentioned in the cheque issuance register, but information confirming that the cheques had been handed over to the respective payees including payment details were not provided.	That relevant information will be recorded daily in the cheque issuance register from 2025.	Action should be taken to maintain register accurately.
(b) According to the report of cancelled cheques generated through the computer system in the year 2024, the reasons for cancellation were not stated for 13 cheques valued at Rs. 1,937,125 out of 30 cancelled cheques and the report was not prepared in order of the cheque cancellation dates.	From the year 2025 onwards, the reasons for cancelling cheques of the cancelled cheques will be recorded.	Action should be taken to maintain register accurately.

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| (c) | The total value of 12 cheques, which were recorded in the cash book and bank statements but not included in the cheque issuance register, amounted to Rs. 1,987,681. | Currently, cheques are recorded in the cheque register at the time they are printed and signed, and a formal cheque issuance register is maintained. | Action should be taken to maintain the cheque register accurately. |
| (d) | Although a sum of Rs. 1,522,350 (excluding value added tax) was expended under the contract for the renovation of the canteen at the S.D.S. Jayasinghe Memorial Theatre and the renovation had been completed over a year ago, action had not been taken to open it even by May 2025. | The delay was also affected by the time taken to settle the outstanding payment due to the disconnection of the water supply in the canteen premises. The lessee has now been informed to settle the deposit and commence operations of the canteen. | Action should be taken to open the canteen. |
| (e) | <p>An agreement was entered into on 23 December 2016 with a private company for the installation, training, and maintenance of a 10-module ERP software system for the Municipal Council. According to the agreement, although the contracted work was to be completed and handed over within 52 weeks from the date of agreed, the work was not completed within the stipulated period. Accordingly, the agreement was revised on 26 April 2018 and again on 1 January 2021, and subsequently, on 6 February 2024, both parties signed a supplemental agreement.</p> <p>following observation were made in this regard</p> | | |
| (i) | As at 06 February 2024, only 04 modules of the ERP software system namely, the Rate & taxes System, the Collect Fees for Miscellaneous Services and Items, the Valuation and Assessments, and the Inventory Control had been completed, That is, it had taken more than 7 years since the agreed for the complete about 30 percent of the entire | As the successful implementation of the project depended on the provision of adequate technical infrastructure, additional time was required to properly establish such infrastructure. | Activities should be carried out in accordance with the agreement. |

contracted software system. Accordingly, there were issues during the audit, whether the institution have sufficient capacity for the supply the software, installation, training, and maintenance.

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| <p>(ii) As per the 10th condition of the supplementary agreement entered into between the two parties during the year under review, the contract cost in respect of the 10 tasks to be performed was Rs. 20,933,505. Although the ERP software system, which had not been completed by 05 August 2024, was to be handed over (Sign – Off and Commissioning), the tasks had not been completed as per the contract as on 31 December of the year under review.</p> | <p>Both parties agreed to develop relating to present in line with the value of the amount agreed in 2016, and accordingly, additional time was taken to complete the relevant work.</p> | <p>Activities should be carried out in accordance with the agreement.</p> |
| <p>(iii) Although the total cost incurred for the ERP software system as at 31 December 2024 was Rs.14,952,718, the software asset account was understated by Rs.3,588,677 due to only Rs.11,364,041 being accounted for in the software asset account.</p> | <p>The error has been identified and will be corrected in the 2025 financial statement.</p> | <p>Action should be taken to accounted for accurately.</p> |
| <p>(iv) The accuracy of the billed revenue amounting to Rs. 831,600,200 and the arrears of rate & taxes revenue amounting to Rs. 900,541,672 relating to the year under review, as reported through the revenue module of the ERP system of the Municipal Council, could not be verified due to the failure of the relevant division to maintain proper books and records, and the accuracy of these figures disclosed in the financial statements could not be confirmed in audit, as access to the revenue module of the ERP system had not been granted to the auditors for observation.</p> | <p>Auditors could be granted view option to the system upon request for specific occasions or activities, and that any additional requirements to be fulfilled by the Council had been communicated in writing.</p> | <p>Action should be taken to maintain books and records during the pilot project regarding the rate & taxes module of the ERP system.</p> |

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| (f) As at 31 December of the year under review, out of the inventory balance of Rs. 92,248,253 disclosed in the financial statements, two unsettled inventory balances amounting to Rs. 1,214,764 and Rs. 17,496,099 | Due to the existence of stock shortages at the time of handing over stores, the pension payments of the respective officers had been suspended, and further investigations were being carried out to recovering the losses from retirement gratuity. | Action should be taken to settle the balances. |
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3.4 Assets Management

	Audit Observation	Comments of the council	Recommendation
(a)	The donations received through the JICA project belonging to the Municipal Council had not been recorded in a donation register.	The relevant items had been fully examined and included in the ledger balances, and instructions had been issued to the Mechanical Division to auction of items promptly and to completely clear the stores.	Action should be taken to recording the documents.
(b)	No inventory books were maintained in the JICA store and the garage store belonging to the Municipal Council, and the verification of inventory has been conducted based on balances given non basis due to during the year under review, the inventory balances in the inventory book presented by the JICA storekeeper to the verification committee for the purpose of physical verification did not incompatibility with the board of survey reports for the years 2023 and 2022. Accordingly, as at 31 December 2024, the JICA store was an excess of 290 items relating to 142 item categories and a shortage of 517 items relating to 102 item categories.	Action had been taken to fully examined and included in their ledger balances.	Action should be taken to correct it.
(c)	Although 4,563 units of spare parts relating to 42 item categories required for the maintenance of vehicles used by	The defects identified in the JICA store have been reported to the Mechanical Engineering Department and actions were	Assets should be utilized efficiently.

the Municipal Council were being taken to rectify the available in the JICA store, orders relevant defects. for those items had been placed without utilizing the existing stock.

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| (d) | The accuracy of the actual stock as at 31 December could not be verified during the physical verification of inventory in the year under review due to the officers serving as storekeepers had not maintained inventory records at the garage store. | Action had been taken to fully examined and included in their ledger balances. | Verification of inventory should be conducted accurately. |
| (e) | Although there were variations of nearly 300 liters of fuel at the end of each month according to the store's records and accounting department reports, no action had been taken to correct those variations, and as at 31 December of the year under review, the diesel store reflected a shortage of 1,669.19 liters, at a Rs. 286 per liter, valued at Rs. 477,388. | Due to the poor condition of the diesel pump and the losses arising from the volatility of diesel in the store, actions will be taken to resolve the issue by purchasing a new diesel pump in the future. | The specific causes of the losses should be identified, and actions should be taken to prevent such variations from occurring. |

3.5 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
As at 31 December 2024, out of the outstanding employee loan balance, Rs. 42,865 was to be recovered from 08 transferred employees, and Rs. 704,849 was to be recovered from 19 retired employees. Also, action had not been taken to settle the over-recovered of Rs. 30,050 from 24 retired employees.	investigate the information will be conducted and action will be taken to recover that amount in the future.	Action should be taken to recover the outstanding loan balances.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation	Comments of the Council	Recommendation
According to Section 16(2) of the National Audit Act, No. 19 of 2018, and order No. 08 accounting related to the financial administration of the Western Provincial Councils by the Extraordinary Gazette No. 2155/8 dated 24 December 2019, although the financial statements for each financial year should have been submitted to the Auditor General on or before 28 February of the following financial year, the financial statements of the Council were submitted on 30 June 2025, with a delay of 115 days.	No answers have been received.	Action should be taken in accordance with the accounting orders.

4.2 Budgetary Control

	Audit Observation	Comments of the council	Recommendation
(a)	Although provisions of Rs. 418,202,000 were made for the acquisition of capital assets under 53 expenditure heads during the year under review, only Rs. 36,312,030 from that amount had been utilized.	Due to issues such as problems occurring in obtaining the assistance of officers with specialized knowledge, it was not possible to incur the anticipated expenditures.	Provisions should be utilized effectively.
(b)	Although Rs. 114,502,000 had been allocated as capital expenditure for the acquisition of assets for religious, sports, entertainment activities and other welfare activities during the year under review, out of which only Rs. 1,778,527 had been spent on the purchase of library books and Rs. 45,999 on the purchase of office equipment. The necessary actions had not been taken to provide the capital assets identified to provide optimal service to the public through the	Due to issues such as problems occurring in obtaining the assistance of officers with specialized knowledge, it was not possible to incur the anticipated expenditures.	Provisions should be utilized effectively.

libraries, pre-schools and sports departments.

- (c) No expenditure had been incurred out of the Rs. 245,048,000 allocated for 69 expenditure heads during the year under review. Due to issues such as problems occurring in obtaining the assistance of officers with specialized knowledge, it was not possible to incur the anticipated expenditures. Provisions should be utilized effectively.