

Pathahewahata Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Pathahewahata 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 paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Pathahewahata Pradeshiya Sabha as at 31 December 2024, and of its financial performance and 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 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's 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 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
03 debtor balances of Rs. 150,000 which cannot be reimbursed and relating to the period from 2014 to 2016 had been further accounted for under debtors.	One balance will be written off and the other balances will be recovered.	Adjustments to account should be made.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
There was a difference of Rs. 280,599 in the balances of 03 account subject shown in the financial statements as at the end of the year under review, compared to the balances shown in the source documents.	It will be corrected in the future.	Account balances should be compared with the balances shown in the relevant source documents and corrected.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the failure to submit schedules, records, files, legal documents and physical existence information related to the 2 debtor balances and 3 asset balances of Rs. 30,104,082 shown in the financial statements, it was not possible to satisfactorily verify them during the audit.	Schedules will be prepared and ownership will be confirmed.	It should properly identify schedules and other documents and ownership should be confirmed.

1.7 Non- Compliances

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

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

	Reference to Laws, Rules Regulations etc	Non-compliance	Comments of the Sabha	Recommendation
(a)	Rating and Valuation Ordinance No. 30 of 1946			
	Section 20	Although property valuation is required to be done once every 5 years, Rates had been levied for the year under review as per the valuation report conducted in 2009.	It will be assessed in the future.	Property should be assessed time to time and rates levied.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
	F.R. 571 (3)	During the period from 2012 to 2022, 80 lapsed deposits amounting to Rs. 3,454,950 had not been settled.	The necessary steps are being taken to settle.	Lapsed deposits should be settled.

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. 44,933,042 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 51,610,991 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 Secretary of the Sabha 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

Source of Revenue	2024				2023			
	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 Taxes	4,021,024	4,294,081	5,273,747	3,038,380	4,019,720	4,521,852	5,255,705	4,018,046
(ii) Rent	9,150,000	12,401,842	11,555,539	2,156,008	8,660,000	7,948,494	7,980,473	1,309,705
(iii) License Fees	2,780,500	3,989,883	4,053,583	5,284,650	2,500,365	4,069,082	4,275,632	5,348,350
(iv) Other revenue	53,456,750	54,685,013	101,929,581	92,786,311	65,247,567	79,298,006	28,901,580	140,030,879
Total	69,408,274	75,370,819	122,812,450	103,265,349	80,427,652	95,837,434	46,413,390	150,706,980

2.2.2 Performance in Revenue Collection

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

Audit Observation	Comments of the Sabha	Recommendation
<p>(a) Rates</p> <p>The arrears rates balance as at the end of the year under review was Rs. 2,475,006. Out of this, 42 properties with an arrears of rates exceeding Rs. 10,000 per unit had an outstanding balance of Rs. 1,024,378.</p>	Action will be taken to recover it.	Arrears of revenue should be recovered promptly.
<p>(b) Acreage tax</p> <p>An arrears balance of acreage tax, Rs. 563,375 had not been collected as of the end of the year under review in accordance with Section 134 (3) of the Pradeshiya Sabha Act, No. 15 of 1987.</p>	The estate owners have been informed.	Arrears of acreage taxes should be collected promptly.
<p>(c) Stall Rent</p> <p>As of the end of the year under review, there was arrears of stalls rent of Rs. 2,156,008, of which the arrears of rent relating to the period from 2014 to 2024 were Rs. 963,188.</p>	A lawsuit will be filled and recovered	Legal action should be taken and arrears of rent should be collected.
<p>(d) Other Income</p> <p>(i) The arrears water charges balance as at the end of the year under review was Rs. 19,967,252, of which there was a balance of Rs. 11,704,913 from 672</p>	Action will be taken to recover the arrears.	Arrears of water charges should be collected promptly.

water consumers who exceeded Rs. 10,000 per consumer.

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| (ii) | Although the Muduna Kade Water Project was handed over to the Water Supply and Drainage Board in 2012, no steps had been taken to recover or hand over the outstanding water charges of Rs. 822,572. | It has been referred to the Governor for writing off | Appropriate action should be taken urgently regarding the arrears water charges. |
| (e) | Court fines and Stamp duty
The court fines and stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31st December of the year under review amounted to Rs. 930,331 and Rs. 71,023,337, respectively. | Action will be taken to recover it. | The arrears of revenue should be recovered. |

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
(a)	As per the Circular No. 2020/06 of the Commissioner of Local Government dated 28th September 2020, without utilizing the surplus funds in revenue generating projects and property development, a total of Rs. 77,310,591 had been invested in fixed deposits as at the end of the year under review, while Rs. 80,277,541 remained idle in the current account.	It will be used for development in the future.	Surplus funds should be used for regional development.
(b)	The Ankelipitiya Moragolla Water Project, which was started in 2017 at an estimated cost of Rs. 70.39 million and covers 09 Grama Niladhari Divisions in the Sabha area of authority, had been stopped in the midway, since 2018 after spending Rs.	The project has been halted due to lack of funding.	Provisions should be made urgently, the project should be constructed and drinking water should be provided to the people.

51.16 million. Out of the completed value Rs. 19.2 million was still to be paid to the contractors. There was an acute shortage of drinking water in the Sabha area and the general public was facing severe difficulties. However, no steps had been taken to restart the relevant project and the Rs. 51.16 million that had been spent so far had been wasted. 4 water motors worth Rs. 3,582,000 that had been purchased for this project were also being idle.

3.2 Management inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Although there are approximately 4196 water consumers related to 09 water projects operating in the Sabha area of authority, 3558 of them did not have water meters installed.	Water meters will be installed within 5 years.	Water meters should be installed and fees charged.
(b)	Although the relevant funds should have been utilized for regional development in accordance with the Planning Circular No. 15 of the Chairman of the Urban Development Authority dated 18 th November 1993, the funds in the Urban Development Authority Investment Account of Rs. 9,568,407 as at the end of the year under review had not been utilized for development activities.	It will be used for development in the future.	The fund should be used for regional development.
(c)	Although an annual rates was levied on the lands of 39 units mentioned as Gurudeniya Road South as per the Rate registry of the Sabha, according to the physical inspection carried out on 29 th October of the year under review, buildings had been constructed on those lands and no steps had been taken to assess those buildings and levy the rates. Also, no necessary action had been taken regarding those unauthorized constructions.	The problem will be resolved and the relevant fees will be collected.	Appropriate action should be taken against unauthorized persons, the property should be assessed and rates should be levied.
(d)	The pre-school building, which was constructed on the land of the Pallegama “Nidahas” Playground in Delthota, owned by	Action is being taken as per the instructions of the	Government property should be leased out properly.

the Sabha, had been registered with the Sabha as a voluntary pre-school since 1998, and since 2005, a pre-school had been run by an external party without entering into a contract and without paying rent. However, the Sabha had not taken any action in this regard.

Local Government
Commissioner.

3.3 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
The ownership of 10 plots of land, the value of which was not recognized and used by the Sabha, had not been taken over.	Action should be taken to acquire the assets.	The property owned by the Sabha should be taken over.

3.4 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
(a) When comparing the approved staff and the actual staff, there were 25 vacancies in 12 posts and 08 excess in the Development Officer post.	It is based on government policy decisions.	Vacancies should be filled.
(b) A total of Rs. 253,390 worth of loan balance had not been recovered from two deceased health workers from the period 2005 to 2023.	Action will be taken to recover it.	Appropriate action should be taken to recover the loan balance.

4. Accountability and Good Governance

4.1 Environmental Problems

Audit Observation	Comments of the Sabha	Recommendation
As per the provisions of Section 93 (b) of the Pradeshiya Sabha Act No. 15 of 1987, a Gully service had not been maintained to enable the proper cleaning and emptying of pits within the proper time frame for the disposal of sewerage from houses in the area.	There is no demand and no place to dispose of it.	The public needs assigned by the Act should be fulfilled.

4.2 Sustainable Development Goals

Audit Observation	Comments of the Sabha	Recommendation
Although the Sabha had identified sustainable development goals and targets in accordance with the provisions of the Sustainable Development Act No. 19 of 2017, no steps had been taken to achieve them.	Projects are being implemented.	Sustainable development goals and targets should be identified and implemented.