

Poojapitiya Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Poojapitiya 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 Poojapitiya 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
(a)	The total value of 08 development projects implemented during the year under review, amounting to Rs. 1,215,343, had not been capitalized.	It will be corrected in the future.	Accounts should be prepared correctly.
(b)	As per the recommendations of the Board of survey committee reports for the years 2021 and 2022, the amount of Rs. 209,930 that had been removed was further included under furniture and office equipment fixed assets.	-Do-	-Do-

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the failure to submit schedules and balance confirmations for 02 asset subjects totalling Rs. 4,461,069 shown in the financial statements, they could not be satisfactorily verified.	It is difficult to identify.	Documents relevant to the accurate identification of assets should be maintained, and activities should be carried out to remove assets that cannot be identified.

1.7 Non- Compliances

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 and Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a)	Rating and Valuation Ordinance No. 30 of 1946 Section 20	Although the valuation of the property subject to rates is required to be carried out once in every 5 years, rates had been levied for the year under review as per the valuation report carried out in 2012.	It will be assessed in the future.	Property should be assessed time to time and rates should be levied.
(b)	Pradeshia Sabha (Finance and Administration) Rules, 1988 Rules 218	A survey of lands and buildings had not been conducted.	An asset survey will be conducted in the future.	A survey of the assets should be conducted to verify their existence.
(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 571(3)	08 lapsed deposits of Rs. 124,982, related to the period 2018 - 2022, had not been settled.	Action should be taken to settle in the future	Lapsed deposits must 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. 38,387,736 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 28,861,015 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.

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 Taxes	4,376,130	4,345,330	4,488,541	2,782,551	4,309,000	4,703,603	3,147,636	2,925,762
(ii) Rent	5,821,456	6,208,656	6,438,466	421,584	6,540,000	6,416,060	5,764,666	651,394
(iii) License Fees	2,563,810	2,791,705	2,791,705	-	2,575,150	2,425,460	2,425,460	-
(iv) Other revenue	3,842,050	48,206,259	77,185,481	40,524,975	29,439,400	50,736,246	14,961,756	69,504,197
	16,603,446	61,551,950	90,904,193	43,729,110	42,863,550	64,281,369	26,299,518	73,081,353

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 balance of rates as at the end of the year under review was Rs. 2,762,956, out of which 48 assessment units with an arrears of rates exceeding Rs. 5,000, totalling Rs. 304,433 had not been collected in accordance with Section 158 of the Pradeshiya Sabha Act No. 15 of 1987.</p>	Action will be taken to recover it.	Arrears of revenue should be collected promptly.
<p>(b) Court Fines and Stamp Fees</p> <p>The stamp duty receivable from the Chief Secretary of the Provincial Council and other authorities as at 31st December of the year under review was Rs. 38,950,430. Out of which, the stamp duty receivable relating to the period 2015 – 2017 was Rs. 3,278,780.</p>	Action will be taken to recover it.	The revenue receivable should be recovered.

3. Operational Review

3.1 Fulfillment 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
In accordance with the Circular of the Commissioner of Local Government No. 2020/06 dated 28th September 2020, the surplus funds were invested in fixed deposits totalling Rs. 37,450,000 and Rs. 80,433,735 remained in the savings account as at the end of the year under review, without being used in revenue-generating projects and property development projects or projects providing public amenities to the majority of the public.	It will be used for development activities in the future.	Surplus money should be used for regional development.

3.2 Management inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The balance of Development Projects debtors as at 31st December of the year under review was Rs. 4,064,562. Therein, the balance relating to the period between 3 and 5 years was Rs. 351,209.	The retention for ministry allocations was not received.	The receivable balances should be recovered.
(b) The total of 02 accounts payable balances as at 31st December of the year under review was Rs.11,783,175. Out of this, the total of the account balances relating to the period between 1 and 3 years was Rs.191,395 and the total of the account balances relating to the period between 3 and 5 years was Rs.356,882.	It has become a creditor due to non-receipt of provision of ministry.	The payable balances should be settled.
(c) Action had not been taken to settle the Rs. 3,221,904 due to the Contributory Pension Fund since 2008.	Payments have been delayed due to a problematic situation.	Issues should be resolved and contributions should be paid promptly.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
Three vehicles with an aggregated value of Rs. 8,538,424 and a van of unknown value had been idle or underutilized for a period of between 6 and 10 years.	Action will be taken to transfer to other institutions or disposed of.	Action must be taken to use, transfer or dispose of it.

3.4 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Action had not been taken to take over the ownership of 09 lands and buildings, the value of which was not identified, and a road roller worth Rs. 7,967,144, which were being used by the Sabha.	Actions are being taken to acquire.	The ownership of assets owned by the Sabha must be legally acquired.
(b) Although Rs. 400,000 was paid to the Land Reforms Authority in 2013 as survey and acquisition fees for the Enasalmada land proposed for waste management, the land had not been acquired by the Sabha by the end of the year under review.	The land will be released in the future.	-Do-

3.5 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
When comparing the approved staff and the actual staff, there were 21 vacancies in 11 posts and 09 excess in one post.	Due to implementation of state policies.	Vacancies should be filled and public services should be maintained efficiently.

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 pits to be	There is no suitable place to dispose of it.	Problems should be resolved and public needs should be met efficiently.

cleaned and emptied within the proper time frame for the disposal of sewerage from houses in the area.

4.2 Sustainable Development Goals

Audit Observation	Comments of the Sabha	Recommendation
Although the Sabah had identified sustainable development goals and targets in accordance with the provisions of the Sustainable Development Act No. 19 of 2017, they had not been achieved.	Actions had been taken to achieve them.	Sustainable development goals and targets should be identified and implemented.