Buththala Pradeshiya Sabha – 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Buththala pradeshiya sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, Statement of Net Assets Changes, Cash Flow Statement and notes to the financial statements including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, the sub section 172(1) of Pradeshiya Sabha Act No. 15 of 1987. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Buththala 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

I expressed qualified opinion regarding financial statement on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in 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 financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the pradeshiya sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following,

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the pradeshiya sabha, and whether such systems, procedures, books, records and other documents are in effective operation,

- Whether the pradeshiya sabha has complied with applicable written law, or other general or special directions issued by the governing body of the pradeshiya sabha

- Whether it has performed according to its powers, functions and duties, and

- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

National Audit Act, No. 19 of 2018 include specific provisions for following requirements.

(a) The financial statements of the pradeshiya sabha presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

(b) The financial statements presented includes all the recommendations made by me in the previous year of this report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

	Audit Observation	**Comments of the Council**	**Recommendation**
(a)	The total expenditure incurred during the year under review was Rs. 608,482 and was accounted for as capital expenditure.	Corrections will be made when preparing the financial statements for the year 2025.	The accounts must be corrected.
(b)	Development expenses of Rs. 42,754,243 incurred during the year under review had not been capitalized.	-Do-	-Do-
(c)	Although the cash book balance as at 31st December of the year under review was Rs. 17,030,935, it was understated by Rs. 1,682,739 from the statement of financial position as at Rs. 15,348,196.	-Do-	-Do-
(d)	As at 31st December of the year under review, the Local Credit Development Fund Account had an overstatement of non-current liabilities of Rs. 6,887,589 and current liabilities of Rs. 864,933.	-Do-	-Do-

1.7 Non- Compliances

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

All observations related to non-compliances with Laws, Rules, Regulations and Management decisions etc. be shown under this heading.

	Reference to Laws, Rules Regulations etc.	**Non-compliance**	**Comments of the Council**	**Recommendation**
(a)	**Pradeshiya Sabha Act No. 15 of 1987**			
(i)	Section 19 (xii)	The approval of the Minister in charge of the subject had not been obtained when leasing 15 shops in the Pradeshiya Sabha shopping complex for a period of more than 03 years.	Further steps are being taken to obtain approval.	Approval must be obtained from the Minister in charge of the subject matter regarding long-term leasing of property.

(ii)	Section 24(1)(a)	202 roads included in the road inventory maintained by the council had not been published in the Gazette and the road inventory had not been updated.	The identified roads have been sent to the Office of the Local Government Commissioner for publication in the Gazette.	The road inventory should be updated and published in the Gazette.
(b)	Financial Regulation No. 571 of the Democratic Socialist Republic of Sri Lanka	From 2017 to 2021, 45 public deposits worth Rs. 1,464,823 had not been settled.	In the future, will be act in accordance with financial regulations.	Financial regulations must be followed.

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. 32,806,805 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 14,687,703 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 submitted by the Council Secretary, the estimated income, billed income, collected income and arrears of income for the year under review and the previous year are shown below.

		2024				2023			
	Source of Revenue	**Estimated Revenue**	**R evenue billed**	**Revenue collected**	**Total Arrears as at 31 December**	**Estimated Revenue**	**R evenue billed**	**Revenue collected**	**Total Arrears as at 31 December**
		Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
.i	Assessments and taxes	8,346,732	8,418,151	3,568,820	4,401,524	6,248,067	3,394,049	4,140,316	5,804,787
.ii	Rent	6,796,800	15,174,860	9,708,850	7,839,027	66,344,000	9,662,650	6,931,625	4,452,546
.iii	License fees	2,486,000	2,410,200	2,446,200	-	2,381,000	1,571,796	1,703,796	-
.iv	Other revenue	85,935,000	62,595,104	54,283,238	15,950,588	68,319,000	43,078,107	34,746,922	10,072,022
	Collection	103,564,532	88,598,315	70,007,108	28,191,139	143,292,067	57,706,602	47,522,659	20,329,355

2.2.2 Performance in Revenue Collection

The following are observations regarding the revenue collection performance of the council.

	Audit Observation	Comments of the Council	Recommendation
(a)	Out of the total revenue billed in the year under review of Rs. 88,598,315, Rs. 28,191,139 had not been collected by the end of the year, which was 32 percent of the total billed revenue.	That action will be taken to collect.	Action should be taken to recover the outstanding revenue as per the agreement.
(b)	**Assessments and taxes** The assessed revenue billed as at 31st December of the year under review was Rs. 8,418,151 and only 48 percent, that is Rs. 4,016,627, had been collected during the year.	The steps will be taken to recover the arrears of revenue in 2025.	-Do-
(c)	**Rent** As of December 31st of the year under review, the billed shop rent income was Rs. 14,919,060 and only 64 percent, that is Rs. 9,559,850, had been collected during the year.	That the outstanding shop rents will be collected in the future.	Action should be taken to recover the outstanding revenue as per the agreement.
(d)	As of January 01 of the year under review, the outstanding rent relating to previous years was Rs. 4,452,546 and only 52 percent, hat is Rs. 2,305,975, had been received during the year.	-Do-	-Do-
(e)	**Other** As at January 01 of the year under review, outstanding machinery receivables relating to previous years amounted to Rs. 11,296,081 and only 52 percent, that is Rs. 5,839,110, had been received during the year. Accordingly, 48 percent, that is Rs. 5,456,970, remained to be recovered.	-Do-	-Do-

2.2.3 Court fines and stamp duties

Audit Observation	Comments of the Council	Recommendation
Court fines of Rs. 2,602,500 and stamp duty of Rs. 11,469,792 which were due to be received from the Chief Secretary of the Provincial Council and other authorities as at 31st December of the year under review had not been collected.	That steps will be taken to recover the outstanding revenue in the future.	Action should be taken to recover the outstanding revenue within the year.

3. Operational Review

3.1 Operational Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	The Pradeshiya Sabha had not conducted a census of the street lights maintained by the council during the year under review and had not identified the number of street lights in the area.	The council will conduct a census of the street lights maintained by the council to determine the number of street lights in use.	Street lights register must be maintained.
(b)	Files containing lease agreements for 4 shops located in the Buththala Old Shopping Complex belonging to the Pradeshiya Sabha had gone missing and the responsible parties had not been identified and a formal investigation had not been conducted.	Further steps are being taken to conduct a formal investigation to identify the responsible parties.	Files and documents regarding the shops must be maintained.

3.2 Apparent Misappropriations

Audit Observation	Comments of the Council	Recommendation
When inspecting the water motors purchased by the council in previous years, the council found that it had only one usable water motor with a capacity of 7.5 HP and due to its malfunction, it was repaired by a private institution on 15 June 2023 at a cost of Rs. 276,000 and stored in storage. On 31 October 2023, a sum of Rs. 293,975 was incorrectly paid to the same institution through voucher number 276 to repair the same motor again.	All payments are carefully checked and payments are made.	Payments made incorrectly should be dealt with in accordance with Financial Regulation 156.

3.3 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	As of December 31st of the year under review, title deeds had not been obtained for 66 lands worth Rs. 260,848,380 used by the Pradeshiya Sabha.	That work is being done to assess land and buildings.	Ownership of land and buildings must be confirmed.
(b)	The attention of the officials had not been focused on retaking 4 shops located in the old Buththala shopping complex belonging to the Pradeshiya Sabha since 2011 or on entering into agreements with the existing people to protect the property owned by the council.	That step will be taken to retake 04 shops or enter into a contract to protect the property owned by the council.	The council's attention should be focused on protecting its property.
(c)	The council's mini tractor had been out of use for 7 years and no action had been taken to dispose of it.	Take action to dispose it in the future.	Action should be taken in accordance with the circular regarding vehicle Disposal.

3.4 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
As at 31st October of the year under review, there was a shortage of 06 employees in relation to the approved staff for 05 posts in the Council and a surplus of 12 employees exceeding the approved staff for one post, and no steps had been taken to balance those vacancies and surpluses.	There are shortages due to the postponement of employee recruitment and a surplus due to the 2023 annual transfers.	Staff vacancies must be filled and surplus staff positions must be approved.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
When comparing the estimated income and expenditure according to the budget prepared by the Pradeshiya Sabha for the year under review with the actual income and expenditure of the year, there were variations ranging from 121 percent to 1237 percent in 03 income items and from 64 percent to 619 percent in 04 expenditure items.	That step will be taken to prepare the budget properly in the future.	Annual budget estimates should be prepared more realistically and efforts should be made to achieve those goals.

4.2 Sustainable Development Goals

Audit Observation	Comments of the Council	Recommendation
Although the Council was aware of the United Nations' "Sustainable Development Agenda 2030", indicators had not been identified to measure the Sustainable Development Goals and Targets.	Work will be done to identify relevant indicators in the future.	Indicators should be identified to measure sustainable development goals and targets.