Pointpedro Urban Council - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Point Pedro Urban Council including the financial statements for the year ended 31 December 2024 comprising the Balance Sheet as at 31 December 2024, Income and Expenditure Account, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 181(1) of the Urban Councils Ordinance 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 Point Pedro Urban Council as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Practices.

1.2 Basis for Qualified Opinion

I expressed qualified opinion 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 Urban Council's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Urban 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 Urban Council, and whether such systems, procedures, books, records and other documents are in effective operation;

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

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

- Whether the resources of the Urban 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 include specific provisions for following requirements.

(a) The financial statements of the Urban 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 Accounting Deficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	The value of the Municipal Public Market Building, which was constructed at a cost of Rs.44,978,144 in the year under review, had not been capitalized.	Action will be taken to disclose the financial statements for the year 2025.	Accounts should be prepared accurately.
(b)	The Koreiyadi Parking Building constructed at a cost of Rs.3,767,462 under the financial provisions of the Council in the year under review had not been accounted for as an asset in the financial statements.	-Do-	Financial statements should be prepared accurately.
(c)	Electric bulbs and small value fixtures purchased for Rs.1,579,650 in previous years had been accounted for as furniture and fixtures.	-Do-	Accounts should be prepared accurately.
(d)	Notary fees of Rs.252,000 for registration of a land in the council had not been accounted under lands and buildings.	-Do-	-Do-

1.7 Non-compliances

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

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions etc. are shown below.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Section 160(1) of Chapter 255 of Urban Council Ordinance Act	"K" form had not been issued for 1,846 properties that are to be recovered assessment tax by the Council in the year under review.	Work in progress.	Actions should be taken according to the provisions of the Act.
(b)	Financial Regulations 571(1), (2) and (3) of the Democratic Socialist Republic of Sri Lanka	Three deposits exceeding 02 years amounting to Rs.76,959 had not been settled.	Action will be taken to settle overdue deposits.	Actions should be taken according to the Financial Regulations.
(c)	Special Provisions on Local Government Institutions, No. 48 of 1971	Although immovable properties located in urban areas were to be assessed once every 5 years for rates and levy of taxes were levied on 7,755 properties based on the assessment of the year 2017.	Further steps will be taken to revalue the property.	Action should be taken in accordance with the provisions of the Act.
(d)	Section 11 of Part I of the Gazette Extraordinary No. 2235/54 dated 08 July 2021 of the Urban Development Authority of the Democratic Socialist Republic of Sri Lanka	Steps had not been taken to charge extension fees of Rs.355,000 for 108 buildings that had not been obtained certificates of confirmation.	Work in progress.	In accordance with the provisions of the Act, arrangements should be made to charge fees for extension of time.

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.65,207,353 as compared with the excess of revenue over recurrent expenditure amounted to Rs.54,696,492 in the preceding year.

2.2 Revenue Administration

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

Information 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 Income	Revenue Estimated Rs.	Billed Revenue Rs.	Revenue Collected Rs.	Arrears as at 31 December Rs.	Estimated Revenue Rs.	Billed Revenue Rs.	Revenue Collected Rs.	Arrears as at 31 December Rs.
Rates and Taxes	9,599,820	26,498,008	13,641,675	12,856,333	9,603,260	30,637,041	12,895,583	17,741,458
Rent	20,067,040	6,629,053	5,980,195	648,858	16,380,060	18,327,304	16,920,013	1,407,291
Licence Fee	983,815	1,238,930	1,238,930	-	1,203,315	1,171,725	1,171,725	-
Other Revenue	20,486,766	13,678,574	13,678,574	-	51,309,144	60,159,008	58,206,907	1,952,101
Total	51,137,441	48,044,565	34,539,374	13,505,191	78,495,779	110,295,078	89,194,228	21,100,850

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the council	Recommendation
The outstanding rates balance as at the end of the year under review was Rs.12,856,333, out of which Rs.4,297,876 from 3,926 rates properties was a balance between 01 and 05 years, and a balance of Rs.4,613,098 was more than 05 years. Similarly, steps had not been taken to recover Rs.240,499 due from 09 tenants for a period of between 01 and 10 years.	Steps have been taken to recover the arrears.	Action should be taken to recover outstanding amounts promptly.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	The development activities that were to be provided to the people of the area were not implemented in an annual planned manner, and council funds amounting to Rs.67,837,265 had been invested in fixed deposit accounts in a government bank.	Steps will be taken to utilize it.	Steps should be taken to implement development activities in a planned manner on an annual basis.
(b)	Steps had not been taken to implement 02 renovation works estimated at a total cost of Rs.26,276,048, which were planned to be implemented in the year 2023 using the development funds of the Council, by the end of the year under review.	Action will be taken.	Steps should be taken to implement the planned tasks within the specified time frame.
(c)	Action had not been taken in accordance with Financial Regulations 104 to 110 of the Democratic Socialist Republic of Sri Lanka regarding the missing CCTV cameras.	Steps have been taken to appoint a committee.	Actions should be taken in accordance with financial regulations.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
Although a Certificate of Conformity (COC) should be issued after confirming that buildings have been constructed according to Section 15(1) of the Housing and Town Improvement Ordinance No. 15 of 1915, Certificates of Conformity had not been issued for 108 development permits granted for building construction by the end of the reviewed year.	Steps will be taken to correct.	Steps should be taken to issue a certificate of conformity.

3.3 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	A total of 3 plots of land value of Rs.57,730,000 had been included under fixed assets in the financial statements, but they were not owned by the council.	Action is being taken to vest them in the council.	Action should be taken to settle the ownership of assets.
(b)	The plastic waste compacting machine purchased in 2022 under the Provincial Specific Development Grant at a cost of Rs.1,899,791 remained idle after using only about 7.5 electricity units, due to the failure to take steps to use it continuously.	It is scheduled to be repaired and put into operation without delay.	Steps should be taken to fully utilize assets.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation	Comments of the Council	Recommendation
When comparing the estimated income and expenditure with the actual income and expenditure for the year under review, there were variances ranging from 26 percent to 103 percent in four revenue items, from 13 percent to 68 percent in seven expenditure items, and a 31 percent variance in one capital expenditure item. As a result, the budget had not been used as an effective management control tool.	Proper attention will be given to this matter.	The budget should be prepared carefully, identifying needs.

4.2 Environmental Observations

	Audit Observation	Comments of the Council	Recommendation
(a)	The Council had granted approval to 41 industrial establishments that were engaged in commercial activities without obtaining trade licenses in accordance with the National Environment Act No. 47 of 1980, as amended by Acts No. 56 of 1988 and No. 53 of 2000, and the regulations in force thereunder.	Action will be taken to issue an environmental protection license.	Steps should be taken to renew trade licenses in compliance with the National Environmental Act and the regulations enforced under it.

(b)	Solid waste had not been collected separately based on its type and was transported and improperly dumped at a disposal site without safety fencing. As a result, various animals consumed the waste, causing it to be scattered throughout the surrounding area.	Action has been taken to construct protective fencing.	Steps should be taken to use biodegradable waste for compost production or alternative measures.