

Kalutara Pradeshiya Sabha - 2024

The operations of the Kalutara Pradeshiya Sabha for the year ended 31 December 2024 were audited 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 the provisions 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.

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

In terms of Section 16(1) of the National Audit Act, No. 19 of 2018, every audited entity shall maintain proper books and records of its income, expenditure, assets and liabilities to enable annual and periodical financial statements. As per Section 16(2) of the said Act, the annual financial statements in respect of every audited entity shall be submitted to the Auditor General by the Accounting Officer together with the annual performance report of that entity within such period as may be prescribed by the rules. In accordance with Section 38(1)(c) of the Act, the Accounting Officer shall be ensured that annual reports and other financial statements are prepared within the required time and in addition, shall ensure that the annual reports relating to the audited entity are presented to Parliament.

1.3 Establishment of Kalutara Pradeshiya Sabha and presentation of financial statement

By the Extraordinary Gazette No. 2296/05 dated 06 September 2022, the Minister in charge of Local Government and Provincial Councils dissolved the Kalutara Pradeshiya Sabha with effect from 19 March 2023, amended the boundaries with effect from 20 March 2023, established the Kalutara Pradeshiya Sabha and specified that date as the date on which the term of office of the members would commence. However, the Pradeshiya Sabha had not prepared the financial statements to be submitted as of 31 December 2024 and submitted them to the audit as at the date of this report.

1.4 Non-compliance with Sri Lanka Public Sector Accounting Standard for Local Authorities

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below.

Reference to Laws, Rules, Regulation and Management Decisions	Non – Compliance	Comment of the Sabha	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987 (i) Section 134(1)	New developed areas in the sabha had not been identified in a timely manner, gazetted as required and assessment tax had not been collected.	New development areas had been identified in the year 2025.	Action should be taken as per the Pradeshiya Sabha Act.

(ii) Section 158(a)	Property had not been seized as a last resort to collect arrears of assessment tax.	Portion of the arrears of revenue had been collected by issuing inspection permits in the year 2024.	-Do-
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka 1645	The log books had not been updated in vehicles. and the original copies of the running charts had not been submitted to the Auditor General.	That the log books are being kept up to date.	Action should be taken as per the Finance Regulations.
(c) Establishments Code Chapter xxiv Section 10.5	When charging the distress loan instalments, monthly instalment should be determined according to the consolidated salary. However, Rs. 2,500 had been charged from all officers as loan instalment.	Action is being taken as per the Establishments Code.	Action should be taken as per the Establishments Code.
(d) paragraph 3.1 of the Public Administration Circular No.30/2016 of 29 December 2016	Although fuel combustion test should done for every vehicle, it had not been done for single cab that brought to the sabha after completing the repair after year 2020.	There are no parts required to repair the vehicle's running meter, and the vehicle has been removed from service due to engine is under repair.	Action should be taken as per the circular.
(e) Local Government Commissioner's Circular No. 1988/22 dated 17 May 1988	Although the requires that properties subject to assessment taxes be assessed once every 05 years, the council's properties had not been assessed after the year 2014.	Action will be taken to assess the properties.	Action should be taken as per the referenced circular.

2. Financial Review

2.1 Revenue Administration

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

According to the information presented by the Secretary, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are as follows.

		2024				2023			
	Source of Revenue	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
(i)	Rates and Taxes	7,452,523	7,833,664	9,111,274	7,487,519	10,556,626	10,787,329	14,328,049	8,668,030
(ii)	Rent	308,400	506,400	482,900	23,500	257,400	315,400	315,400	-
(iii)	License Fees	363,500	585,400	584,679	1,000	480,250	429,850	429,850	-
		8,124,423	8,925,464	10,178,853	7,512,019	11,294,276	11,532,579	15,073,299	8,668,030

2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Sabha are given below.

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Rates		
(i)	The arrears of rates had been shown as Rs. 8,668,030 at the end of the year under review. However, out of the brought-forward balance of arrears of Rs. 8,764,600 at the beginning of the year, an amount of Rs. 2,242,837 related to 18 Grama Niladhari divisions that were transferred from the jurisdiction of the Pradeshiya Sabha to the Kalutara Municipal Council in March 2023. According to the Chairman's response, this situation had arisen due to the failure to remove the bills issued for properties belonging to the Municipal Council by mistake, as well as the failure to carry out a proper legal distribution of assets.	Since the distribution of assets had not been carried out in accordance with the regulations, the arrears pertaining to the Municipal Council area had also been included in the total arrears revenue.	The distribution of assets should be carried out expeditiously.
(ii)	The outstanding rates of the Kalutara Pradeshiya Sabha at the beginning of the year under review was Rs. 6,522,590, of which Rs. 2,596,605 had been collected	The relevant money will be collected in the year 2025.	The arrears of revenue should be collected promptly.

during the year under review and the percentage of outstanding rates to be collected was 60 percent.

- (iii) The rates billing for the year under review had been Rs. 6,722,064 and out of that Rs. 5,244,565 had been collected during the year and the percentage of outstanding rates was 22 percent.
- The collection of arrears of rates in the year 2025 has already commenced.
- The arrears of revenue should be collected promptly.

(b) Other Income

- (i) Out of 50 tourist hotels registered under the Sri Lanka Tourism Development Authority and located within the jurisdiction of the Kalutara Pradeshiya Sabha, the Sabha had collected tax only from 13 hotels. Action had not been taken to verify the physical existence of the remaining 37 hotels and to recover taxes from them.
- No reply had been received.
- Registered tourist hotels within the jurisdiction should be identified and license fees should be collected.

- (ii) According to Section 149 of the Pradeshiya Sabha Act No. 15 of 1987, a license fee of 1 percent of the annual gross income of a tourist hotel should be charged. However, contrary to this collected license fees from 06 hotels only on the restaurant income of the hotels during the year under review.
- No reply had been received
- Should be collect license fees in accordance with the Pradeshiya Sabha Act.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Although the deposits obtained by the Sabha as road restoration deposits should be refunded to the relevant parties after confirming the restored roads have been properly completed, deposits amounting to Rs. 707,475 relating to the period from 2020 to 2024 had not been released in that manner	Reminder letters have been sent for the payment of overdue deposits.	The deposits should be released after confirming that the damaged roads have been repaired.
(b)	Even though the technical officers of the Sabha should inspect and certify that the concrete defect were repaired correctly , 190 road defects remained without such inspection from the year 2021 to 2024.	No replies have been given.	The Technical Officer should certify that the damaged roads have been repaired.
(c)	The sabha had filed a case against the insurance company in the Kalutara District Court in 18 July 2012 to recover the amount of Rs. 544,469 paid from the sabha fund to the deceased party due to a fatal road accident that had occurred in the year 2012. Although Rs. 182,000 had been spent on legal fees, the cost could not be recovered.	That the case was dismissed on July 03, 2025.	In accordance with the Financial Regulations, an investigation should be conducted and the amount spent from the Sabha funds should be recovered.
(d)	According to the Guidelines for the Valuation of Non-Financial Assets issued on 31 December	The assets are being legally divided and the asset	The assets belonging to the council should be divided and

2018, land and buildings should be valued by a professional valuer. However, lands and buildings valued at Rs. 196,147,842 belonging to the Sabha had not been valued, which had also contributed to the issue relating to the handover of assets to the Kalutara Municipal Council.

valuation activities are being carried out. the non-financial assets should be valued as per the guidelines.

3.2 Idle or underutilized property, plant and equipment

Audit Observation	Comment of the Sabha	Recommendation
According to State Finance Circular No. 08/2020 dated 9 December 2020, vehicles that are not in running condition but can be effectively repaired should be repaired and put back into use. However, no such action had been taken regarding three tractors that were not in running condition	It was stated that two tractors had not been repaired due to the unavailability of provisions, and one tractor had not been repaired due to the lack of spare parts.	The vehicles should be repaired and put into use

3.3 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) With the establishment of the Kalutara Municipal Council on 19 March 2023, the properties belonging to 18 Grama Niladhari Divisions belonging to the Kalutara	It was stated that steps will be taken in the future to hand over the assets.	Action should be taken to complete the transfer of asset.

Pradeshiya Sabha should have been formally transferred to the Kalutara Municipal Council, but the necessary steps to be taken regarding the transfer of assets had not been completed by 30 June 2025.

- (b) In accordance with Section 127 of the Pradeshiya Sabha Act No. 15 of 1987 and Section 3 of the Public Cemeteries and Private Cemeteries Ordinance No. 57 of 1946, 17 cemeteries within the jurisdiction had not been taken over by the sabha.
- Steps are being taken to take over the cemeteries.
- The assets should be transferred to the Council in a proper manner.

3.4 Procurement management

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Sabha incurred a financial loss of Rs. 53,490 due to the procurement of a stationery item during the year under review, contrary to guideline 3.4.3 of the Government Procurement Guidelines, after calling for quotations from 12 registered suppliers and purchasing from an unregistered supplier.	Recommendations of the Technical Evaluation Committee were acted upon.	Action should be taken in accordance with the Procurement Guidelines.

(b) In accordance with Guideline 2.6.1 (a) 11 of the Government Procurement Guidelines, the review and approval of technical specifications should be carried out by a Technical Evaluation Committee consisting of an expert in the relevant subject matter, but necessary specifications were mentioned when calling for quotations for 600 street lamp sets worth Rs. 2,685,500 purchased in the year under review, approval had not been obtained from the Technical Evaluation Committee.	It had been done correctly in the year 2025.	Action should be taken in accordance with the Procurement Guidelines.
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3.5 Human Resource Management

Audit Observation	Comment of the Sabha	Recommendation
The employee loan amount of Rs. 233,100 due from a field worker who had left the service since the year 2023 had not been taken up by the end of the year 2024.	That letters have been sent to collect outstanding debts.	Outstanding debt balances should be settled promptly.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comment of the Sabha	Recommendation
The quarterly work to be done and the financial expenses incurred for it had not been included in the action plan prepared for the year under review.	It has been done correctly in the year 2025.	The annual action plan should be prepared properly.

4.2 Internal Audit

Audit Observation	Comment of the Sabha	Recommendation
Although it was planned to conduct internal audits under 21 sectors according to the internal audit plan for the year 2024, only 03 reports covering 06 sectors had been submitted as at 31 December 2024. Accordingly, an adequate internal audit had not been conducted as per the annual plan.	work will be done according to the internal audit plan in the year 2025.	Work should be done according to the internal audit plan.