

Pitabeddara Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Pitabeddara Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, statement of financial performance, statement of changes in net assets and cash flow statement 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 the 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 accompanying financial statements give a true and fair view of the statement of financial positions as at 31 December 2024 of the Pitabeddara Pradeshiya Sabha, and of its financial performance and its cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

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 Principles, 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 to be prepared.

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 exercise 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 the 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 Industry;
- 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

The National Audit Act No.19 of 2018 includes special provisions regarding the 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 included all the recommendations made by me in the previous year described in paragraph 1.6 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 Observations	Comments of the Council	Recommendation
(a) Although the amount of Rs.0.1 million spent on a public mobile service program during the year under review should have been reimbursed, that amount had not been recorded as a receivable balance.	That the observation has been accepted.	The amount to be reimbursed should be accounted for as a receivable balance.
(b) The value of Ayurvedic medicine stocks was understated by Rs.53,771 in the financial statements.	Reports will be prepared showing an accurate balance in the future.	The correct balance as per the drug records and board of survey reports should be shown as the stock balance in the financial statements. The understated balances should be adjusted in the drug stock account.
(c) Recurring expenses of Rs.0.58 million incurred for painting during the renovation of the Pradeshiya Sabha auditorium had been capitalized.	That the observation will be accepted and corrected in the 2025 account.	The capitalized amount of Rs.0.58 million should be removed from the Land and Buildings Account.
(d) The value of 11 water tanks owned by the council, amounting to Rs.0.25 million had not been accounted under non-current assets and had been accounted under water storage inventory.	It has been removed from the water storage inventory account in 2025.	The value of the 11 water tanks should be removed from the water storage inventory and adjusted to the equipment account.

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| (e) | The receivable notice board fee income of Rs.0.15 million had not been accounted as income receivable. | Only notice board fees received in cash are billed and outstanding amounts are not reflected in the account. | Action should be taken to account for the total notice board income for the year. |
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1.6.2 Un-reconciled Control Account

Audit Observations

A difference of Rs.0.24 million was observed between the balances related to 03 accounting objects shown in the financial statements and the balances shown in the relevant supporting documents.

Comments of the Council

That the adjustments will be made to the 2025 financial statements.

Recommendation

Differences between financial statements and corresponding reports should be examined and action should be taken to correct the reports and financial statements.

1.7 Non- Compliance

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

Reference to Laws, Rules and Regulations etc.

Section 132(a) of the Pradeshiya Sabha Act No.15 of 1987

Non- Compliance

A total of Rs.0.33 million had been spent from the council funds during the year under review for a three-day study tour without complying with this section.

Comments of the Council

That a project plan has been prepared and expenses have been incurred with the approval of the Price Committee and, that the prior approval from the Governor is not required.

Recommendation

Actions should be taken in accordance with the provisions of the Pradeshiya Sabha Act.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the recurrent income exceeding the recurrent expenditure of the Council for the year ended 31 December of the year under review was Rs.14.53 million, and correspondingly, the recurrent income exceeding the recurrent expenditure of the previous year was Rs.14.16 million.

2.2 Revenue Administration

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

According to the information submitted by the Secretary, the estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

		2024				2023			
	Source of Revenue	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Taxes	1,567,955	2,218,500	2,224,325	892,888	1,696,000	1,763,365	2,564,981	898,713
(ii)	Rent	5,408,546	8,999,200	9,013,736	2,944,826	23,048,240	17,098,748	16,848,183	2,959,362
(iii)	License fee	1,527,425	1,451,777	1,460,177	98,522	1,155,100	1,182,576	1,147,176	106,922
(iv)	Other Revenue	3,798,000	7,076,993	6,912,806	573,570	2,846,500	5,051,973	4,899,596	409,383
		12,301,926	19,746,470	19,611,044	4,509,806	28,745,840	25,096,662	25,459,936	4,374,380

2.2.2 Performance in collecting Revenue

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

Audit Observations	Comments of the Council	Recommendation
(a) Assessment and Taxes		
(i) Action had not been taken to levy assessment from 1480 assessment units identified in the year 2021 as developed areas in the council area of authority as per Section 134(1) of the Pradeshiya Sabha Act, No. 15 of 1987 by the end of the year under review.	The mobile document was handed over to the Valuation Department on 19 February 2025, to expedite the valuation in coordination with the Valuation Department.	Action should be taken to promptly assess the property and collect the assessment.

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| (ii) | Out of the acreage tax arrears of Rs.0.31 million at the end of the year under review, Rs.0.30 million remained uncollected for more than 03 years, which was 99 percent of the total arrears. | It has been submitted for the Governor's approval to write off Rs.101,427 from the long-term arrears and information is being obtained from the Grama Niladhari for the remaining arrears. | Action should be taken to recover the arrears amount promptly. |
| (iii) | Out of the arrears garbage tax revenue of Rs.0.45 million at the end of the year under review, Rs.0.36 million had been overdue for 03 years, which was 81 percent of the total arrears. | The necessary information is being obtained to write off the long-standing arrears. | Action should be taken to recover the arrears amount promptly. |

(b) Rent

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| (i) | As of the end of the year under review, there was a rent arrears of Rs.2 million from 60 rooms owned by the council, of which Rs.1.74 million was overdue for 03 years. | As of 20 April 2025, Rs.454,330 has been recovered. | Action should be taken to promptly recover arrears shop rent. |
| (ii) | Although the agreements of 42 shops leased by the council had expired, action had not been taken to update those agreements by the end of the year under review. | The contracts of 20 out of 42 shops have been updated. | All expired contracts should be updated. |

(c) Other Income

The court fines due from the Chief Secretary of the Provincial Council and other authorities for the year under review were Rs.0.33 million and stamp duty was Rs.8.93 million.	That Rs.0.87 million in arrears court fines and Rs.11.76 million in stamp duty have been collected.	All arrears amounts should be collected promptly.
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3. Operational Review

3.1 Performance of functions assigned by the Act

The following are the observations made regarding the performance of the duties that the Council was supposed to perform under Section 3 of the Pradeshiya Sabha Act, namely regulate and control matters relating to public health, public utility services and public roads and the enjoyment, convenience and welfare of the people.

Audit Observations	Comments of the Council	Recommendation
(a) Without implementing a permanent and formal program to dispose of the approximately 1 ton of garbage collected daily within the council area of authority, the garbage was dumped behind the Morawaka market ground located near the Nilwala River, a densely populated and major water source, resulting in contamination of the Nilwala River and there was a risk to spread of infectious diseases.	Since the council does not have a compost yard, it is proposed to operate the solid garbage management center on the Wanasinghekanda land owned by the council.	A formal and permanent program for garbage disposal should be initiated immediately.
(b) Although 20 acres of land had been acquired in the Wanasinghe Kanda Grama Niladhari Division to implement a compost project, the project had not been initiated by the end of the year under review.	Letters have been sent informing about this.	A formal and permanent program for waste disposal should be implemented immediately.
(c) Since the water source related to the Morawaka Water Project belongs to the Kotapola Pradeshiya Sabha, although 20 percent of the monthly water consumer receipts had been paid to the Kotapola Pradeshiya Sabha, agreement had not been entered into with the Kotapola Pradeshiya Sabha in this regard. Since this water source was not developed by the two Pradeshiya Sabhas, mud mixed with the water during heavy rains, water supply was disrupted due to broken water pipes, water meters were malfunctioning due to sand mixed with the water, and the number of water complaints was also increasing.	The necessary actions are being taken to entered in to the agreement in the future.	A formal program should be implemented to provide clean drinking water to the public by entering into an agreement with the Kotapola Pradeshiya Sabha.

3.2 Management Inefficiencies

Audit Observations	Comments of the Council	Recommendation
(a) Due to the Council not taking proper action to recover arrears water bills, taking into account the deposits received from	Out of the arrears amount of Rs.573,570, Rs.274,518 has been recovered and action	The arrears balance should be recovered promptly and prompt

	consumers, the domestic water consumer arrears was Rs.0.26 million and the commercial water consumer arrears was Rs.0.26 million as of the audit date of 24 January 2025.	will be taken to recover the remaining arrears amount of Rs.299,02 immediately.	action should be taken to recover the arrears balance before the deposit amount is exceeded.
(b)	Although the water in the two tube wells constructed by the National Water Supply and Drainage Board at the Morawaka market ground was unfit for consumption due to high iron concentration, the water storage tank, which had been constructed at a cost of Rs.1.03 million on specific provincial allocations under the Southern Provincial Development Plan of 2021 without any program being prepared to treat the water, had become useless by the end of the year under review.	That the tube well built inside the Morawaka bus stand has been removed and the tube well on the market ground was remained and since high costs have been incurred to purify the water in the well, this project remains idle.	A proper feasibility study should be conducted and projects should be implemented when planning the projects and projects that are implemented without doing accordingly should be brought to a usable condition or otherwise legal action should be taken against the parties who implemented them.
(c)	Although it is mandatory to introduce online systems by all local government institutions to facilitate and streamline the services provided to the public and to collect revenue promptly, as per Local Government Circular No.2022/01 dated 15 December 2022, a website had not been created for the council and action had not been taken to facilitate online payments by the end of the year under review.	The company has been selected to create the website, an agreement has been signed, and work has begun on creating the website.	The website should be created and the necessary facilities for making online payments should be provided immediately.

3.3 Operational Inefficiencies

Audit Observations	Comments of the Council	Recommendation
(a) The amount of Rs.90,000 due to the Council for 5 land plots sold in the years 2023 and 2024 in the Council area of authority had not been collected in terms of Section 154(1) of the Pradeshiya Sabha Act, No.15 of 1987.	That the lands were not sold at public auction or otherwise, and requesting advice from council to the recovery of 1 percent of the sale value when granting land subdivision council approval in relation to private lands, that letters have been sent to the Assistant Commissioner of Local Government.	According to the provisions of the Act, a tax of 1 percent should be levied on any sale at public auction by an auctioneer or broker or his agent.
(b) Although the validity period of the environmental protection permits of 08 institutions operating within the council area of authority had expired, the council had not taken appropriate action in this regard, and the council had lost environmental protection permit fees totaling Rs.40,500 due to the failure of 09 business institutions to obtain environmental protection permits.	That the necessary actions to issue the permits are being taken and that permits have been issued to 02 institutions.	Action should be taken to issue permits to all institutions that require environmental protection permits, otherwise legal action should be taken.

3.4 Assets Management

Audit Observations	Comments of the Council	Recommendation
(a) Actions had been taken to transfer the legal ownership of 17 lands, totaling approximately 12 acres owned by the Council and 04 land plots which information on the size had not been submitted.	A request has been made to take over the ownership of the land from the Divisional Secretary who owns the land ownership.	Action should be taken to acquire the legal ownership to the council and have the deeds prepared.
(b) As the Council had not taken actions to implement appropriate development projects in relation to 06 land plots by the end of the year under review, those lands remained idle.	That they will be used for productive purposes in the future.	Actions should be taken to implement appropriate projects on the lands.

3.5 Human Resource Management

Audit Observations	Comments of the Council	Recommendation
(a) According to the staff plan, 14 positions remained redundant at the end of the year under review.	That the actions will be taken to regularize redundant positions in the year 2025.	Staff should be reviewed and appropriate action should be taken regarding redundant positions.
(b) The total loan balance of Rs.0.29 million from 05 officers of the council who retired and vacated the service between the years 2011 and 2023 had not been recovered by the end of the year under review.	Letters have been sent to recover the arrears amount.	Action should be taken to recover arrears amounts promptly.
(c) The 14 primary grade workers of the council were assigned other duties not related to the position, and salaries and allowances of Rs.7.92 million were paid from the council fund in the year 2024.	Even if they are assigned to other duties, they are paid the salary for a permanent position, and since there are not enough approved drivers, workers from the health and construction field are being employed as drivers.	When recruiting staff, the actual requirements should be accurately identified, and officers should be assigned to the duties of the designated position.