Devinuwara Pradeshiya Sabha - 2024
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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Devinuwara 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 Devinuwara 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 Internal Control over the preparation of Financial Statements

Entities are required to maintain a "well-designed" internal accounting control system sufficient to provide reasonable assurance that , transactions are executed in accordance with management's general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management's general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Observations with regard to maintenance of key accounting records such as General Ledger, Journal and Journal Vouchers and Payment Vouchers etc. have been included under the following topics.

1.6.2 Accounting Deficiencies

	Audit Observations	Comments of the Council	Recommendation
(a)	Although the total value of Rs. 7.39 million in building constructions had been recorded as fixed assets, the value of the 11 lands on which the constructions were carried out had not been stated under lands and buildings.	That the action will be taken to capitalize the values of all lands and buildings not listed under lands and buildings and to submit those lists with the financial statements.	The value of the 11 lands on which construction has been carried out should be accounted for under land and buildings.
(b)	Rs.0.43 million had been written off from the unrecognized balance as at 01 January 2018 without specifically identifying the cost of 10 machines and equipment identified as being to be removed from the board of survey of the previous year.	That the Permanent Subject Officer will promptly complete the work and take action to correct the error mentioned herein.	The cost of the 10 machines and equipment identified as being to be removed should be specifically identified and removed from the books.

(c)	A value of Rs. 0.10 million had been written off from the unidentified balance of furniture and equipment as of 01 January 2018 without specifically identifying the value of the goods that were disposed through the board of survey in the previous year.	That the Permanent Subject Officer will promptly complete the work and take action to correct the error mentioned herein.	The cost of furniture and equipment identified as being subject to disposal should be specifically identified and removed from the books.

1.6.3 Documentary Evidence not made available for Audit

Audit Observations	Comments of the Council	Recommendation
Due to the failure to submit written evidence such as land and building registers, detailed schedules, ownership confirmation documents, fixed asset registers, inventory books, etc., the balances of 04 accounting objects amounting to Rs.108.87 million could not be satisfactorily examined.	That the action is being taken to correct the schedules.	Fixed asset register, detailed schedules, and inventory books confirming the balance should be submitted.

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

The following are examples of non-compliance with laws, rules, regulations and management decisions.

Reference to Laws, Rules and Regulations etc.	Non- Compliance	Comments of the Council	Recommendation
Financial Regulations 139 and 387 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Although the balance in the current account as of 30 September 2024 was Rs.1.24 million, cheques worth Rs.4.01 million were issued from the cash book regardless of that.	It was a mistake and action will be taken not to do same in the future.	Appropriate action against the subject officer should be taken regarding the issuance of cheques exceeding the balance in the current account.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Council for the year ended 31 December of the year under review was Rs.35.96 million, and correspondingly, the revenue exceeding the recurrent expenditure of the previous year was Rs.31.49 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 following is the information on estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year.

	2024				2023			
Source of Revenue	Estimated Revenue Rs.	Billed Revenue Rs.	Collected Revenue Rs.	Total Arrears as at 31 December Rs.	Estimated Revenue Rs.	Billed Revenue Rs.	Collected Revenue Rs.	Total Arrears as at 31 December Rs.
(i) Assessments and Taxes	3,302,179	2,642,326	3,055,760	5,793,704	3,585,236	2,887,132	2,733,790	6,207,138
(ii) Rent	28,574,200	32,882,656	35,490,582	10,094,515	26,595,120	28,887,419	30,825,118	12,702,441
(iii) License fee	4,001,200	3,746,556	3,699,056	121,250	3,399,900	4,184,864	4,160,404	73,750
(iv) Other Revenue	13,807,714	10,419,022	10,303,640	3,582,838	16,410,800	10,744,038	7,793,138	3,467,456
	49,685,293	49,690,560	52,549,038	19,592,307	49,991,056	46,703,453	45,512,450	22,450,785

2.2.2 Performance in collecting Revenue

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

Audit Observations		Comments of the Council	Recommendation
(a)	**Assessment and Taxes**		
(i)	Out of the arrears assessment balance of Rs.6.02 million at the beginning of the year under review, only Rs.1.38 million had been recovered. Rs.4.18 million had been overdue for more than 5 years out of the arrears assessment balance to be recovered.	Actions were taken to collect arrears by implementing mobile programs, door-to-door programs, and advertising programs, and to collect arrears by issuing red notices.	Arrears of revenue should be collected promptly.

(ii)	According to Section 20 of the Taxation and Valuation Ordinance No.30 of 1946, although the assessable properties should be assessed once every 05 years and assessment should be levied on the annual value, the properties pertaining to 3300 assessment units in 07 divisions of the council area of authority had not been assessed after the year 2011.	That the new assessment revision of the Devinuwara Pradeshiya Sabha was carried out on 15th January 2025.	According to the Tax and Valuation Ordinance, assessable properties should be assessed once every 5 years.
(iii)	Although 16 Grama Niladhari Domains were identified as developed areas in accordance with Section 134(1) of the Pradeshiya Sabha Act No.15 of 1987 and published in Gazette No.1980 dated 12 August 2016, the Council had not taken actions to identify, assess and charge the assessments of the properties therein.	Although it was gazette in 2016, it was reported to the Assistant Commissioner of Local Government that there were deficiencies in the gazette, and that the necessary demarcation maps are being prepared to correct those deficiencies.	Actions should be taken to levy assessments on identified developed areas.
(iv)	Any amount had not been recovered during the year under review from the arrears acreage tax balance of Rs.77,249 at the beginning of the year under review.	Although a new acreage tax survey committee was appointed in 2024, any progress has not been reported by that committee.	Arrears of revenue should be collected promptly.

(b) Rent

(i)	Legal action had not been taken regarding the recovery of Rs.0.15 million in rent owed to the council for renting out machines for over 5 years.	That the recommendation of the committee appointed by the Assistant Commissioner of Local Government has been forwarded to the Department of Local Government.	Legal action should be taken to promptly recover the arrears revenue.
(ii)	Out of the balance of Rs.11.62 million at the beginning of the year under review for the lease of commercial premises, although Rs.1.54 million was between 2 and 5 years and Rs.5.05 million was a balance that had been	That Rs.37,640 each will be recovered from the 02 stalls that had outstanding balances of more than Rs. 100,000.	Legal action should be taken to recover the arrears of revenue.

	outstanding for more than 5 years, taking legal action to recover the outstanding amounts was being delayed.		
(iii)	The Council had not taken any action during the year under review to recover any amount from the arrears of rent income of Rs.0.83 million that was at the beginning of the year under review.	That it is a balance that has existed for many years.	Legal action should be taken to recover the arrears of revenue.
(iv)	Although the agreements entered into with the lessees should be updated every 3 years as per paragraph 05 of the Circular No.SLG/LGC/2010/01 dated 27 December 2010 of the Commissioner of Local Government of the Southern Province, the agreement period of 76 stalls in 7 shopping complexes owned by the Council had expired due to failure to do accordingly.	That legal action has been taken.	As per the circular instructions, agreements for stalls whose agreements have expired should be made promptly.

3. Operational Review

3.1 Performance of functions assigned by the Act

The following are the observations made regarding the performance of the functions that the council was required to perform under Section 3 of the Pradeshiya Sabha Act, namely, to regulate and control matters relating to public health, public utility services and public roads, and to ensure the comfort, convenience and welfare of the people.

Audit Observations	Comments of the Council	Recommendation
Without implementing a formal program to produce compost using the biodegradable garbage collected from the council area of authority and recycle non-biodegradable garbage, there was a risk of spreading infectious diseases in the area due to dumping the collected non-biodegradable garbage in a land called Molawatte in Wellamadama without a formal system.	The biodegradable garbage is dumped on government land called Molawatta in Wellamadama and covered with soil, and the non-biodegradable garbage, clean polythene and plastic is collected and stored in a new building in the council's vehicle yard until it is sent to the recycling center.	A formal program for garbage management should be developed and implemented.

3.2 Management Inefficiencies

	Audit Observations	Comments of the Council	Recommendation
(a)	Action had not been taken to recover the loss of Rs.170,000 from the responsible parties in accordance with the Financial Regulation 104(4) report relating to the backhoe machine that had met with an accident in the Wellamadama area in 2019.	A complaint was filed by the Gandara Police station against the relevant parties and a detailed report has been forwarded to the Local Government Commissioner in response to a written request made by the former chairman to the Department of Local Government.	The loss should be recovered from the responsible parties promptly.
(b)	Although a rental of Rs.0.51 million had been paid for a lorry rented from May to September 2024 to maintain street lights in the council area of authority, although the contracts had not been renewed monthly, and payments of Rs.3,400 had been made per day, a supervisory officer had not been recommended regarding the distance driven and the duties performed.	Since there was no time to call for new prices due to the issues that arose, actions were taken to accept the prices placed in the tender box and that action will be taken to prevent such shortcomings from occurring in the future and it is accepted that the agreement was not updated monthly as indicated.	The specifications of the requirements should be stated and the agreement should be updated monthly.
(c)	The Council had not taken actions to settle 05 land plots registered in the name of the Council but not identified, 14 land plots used by the Council but not having transfer certificates and 12 land plots without title deeds.	It has been informed to provide consent for surveying and investigating the enjoyment and ownership of unclaimed lands.	To resolve unidentified lands, title certificates should be obtained for lands without title deeds, and transfer certificates should be obtained for lands without transfer certificates.
(d)	A loss of Rs.212,790 had been occurred to the council fund due to 166 out of 176 stalls and land area allocated to the Devinuwara trading community for the Esala Fair during the year under review were awarded at a discount of 5 percent	With the aim of generating more profit for the Pradeshiya Sabha fund, it was arranged for the first time to sell shops and land arears according to a procurement method with the	Prior approval from the Governor should be obtained and otherwise the loss should be recovered from the responsible

of the bid price without the written permission of the Governor. Also, Rs.900,000 had been spent on salary advances for the staff of the Esala Fair without the prior approval of the Governor.	support of the then Assistant Commissioner of Local Government and the Commissioner of Local Government, and this was done by resolution passed by the then councils.	officers.

3.3 Transaction in Controversial Transactions

Audit Observations	Comments of the Council	Recommendation
An invoice of Rs.4.7 million had been issued in the previous year for the purchase of 20,200 books to be distributed to children from low-income families, and the call for quotations for this had been made in violation of the provisions of the Pradeshiya Sabha (Finance and Administration) Rules 207 and 208 of 1988 and the Government Procurement Guidelines, 2006. Although the beneficiaries had not been specifically identified, books had been ordered by 06 February 2023 and the books obtained had been stored in the warehouse without being distributed to the beneficiaries by the end of the year under review. Also, although the GSM value of those books should have been 56, the GSM value of one book was 55. Although the relevant private company had taken legal action regarding non-payment for printing the books, this had not been disclosed in the financial statements of the year under review.	Although legal action has been taken, the council has been informed not to make any payments for the supply of books until a final decision is made on this matter, and for this reason, the payments have not been disclosed in the audited financial statements.	Financial and administrative rules, government procurement guidelines and circular provisions should be followed, and payments should be suspended until the legal process is completed.

3.4 Assets Management

Audit Observations	Comments of the Council	Recommendation
The old Gandara library building and the Devsirigama Community Hall building owned by the council remained idle, and	The reason why the old library building owned by the council and the Devsirigama	It should be examined and put in to productive use.

the council had not taken actions to utilize them for productive purposes that could generate income.	Community Hall building remained idle is that they were falling into disrepair.	

3.5 Delay in Performing Duties

Audit Observations	Comments of the Council	Recommendation
The Secretary to the Ministry of Public Administration and Home Affairs had informed through Local Government Circular No.2022/01 dated 15 December 2022 that, although it was mandatory to introduce online systems to facilitate and make the services provided to the public by local government institutions more efficient and to collect revenue promptly, the Council had not done accordingly.	Data is being entered to run the LGPMS software.	According to the circular, the online system should be established within a specific period of time.

3.6 Contract Administrative

Audit Observations	Comments of the Council	Recommendation
Although an amount of Rs.01 million was paid in 2023 to develop the Devinuwara Port Road by tarring it, the tar had come off at 08 places on the road.	Currently has been renovated	Appropriate action should be taken against the officers responsible for not completing the project to the proper standard.

3.7 Human Resource Management

	Audit Observations	Comments of the Council	Recommendation
(a)	According to the staff plan, there were 31 surplus positions as of the end of the year under review.	The positions have been referred to the Department of Management Services for approval.	Appropriate action should be taken regarding surplus staff positions.
(b)	**Employee Loans**		
	The total loan balance of Rs.306,137 due from two employees who vacated the service and retired from the Council had not been recovered for more than 2 years and action had not been taken to recover it during the year under review.	It has been recommended to take legal action in accordance with the decisions of the Finance Committee.	Legal action should be taken promptly to recover the loan balance.