

Polpithigama Pradeshiya Sabha – 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Polpithigama 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 Polpithigama Pradeshiya Sabha 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 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 Policies

Audit Observation	Comments of the Council	Recommendation
(a) Items such as flags, plates and glasses, spoons, stamps, flower vases, which are considered consumer goods with very little value and short life that cannot be resold and converted into cash, were accounted for under fixed assets without recognizing them as fixed assets based on the value, nature and life of the asset.	Steps will be taken to correct the fact that consumables are recorded as fixed assets in the inventory register.	Fixed assets must be correctly identified and accounted.
(b) Although according to generally accepted accounting principles, inventory should be valued at the lower of cost or net realizable value, the Council had been valued the finished stock at the selling price and recorded in the accounts.	Even if the calculation was made unintentionally, effort will be made to calculate it correctly from 2025.	Should be accounted for in accordance with generally accepted accounting principles.

1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The value of 03 inventory items with a total value of Rs. 100,650 had not been included in the financial statements.	That it will be corrected.	Assets must be properly accounted for.

- (b) The inventory items relating to the Solid Waste Management Center, Library, Sub-Offices and Water Projects as at 31st December of the year under review had not been included in the financial statements. That those items will be included in the financial statements by 31st December 2025. All assets must be accounted.
- (c) Although the fixed deposit interest income for the year under review was Rs. 1,048,967 it was under-accounted at Rs. 833,346 which is Rs. 215,621 and the fixed deposit interest receivable of Rs. 32,602 had not been accounted for. That the financial statements as of 31st December 2025 will be corrected. The correct value must be identified and accounted.

1.6.3 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
There was a difference of Rs. 78,900 between the balance as per the financial statements and the balance as per the books of 24 balance items in the general store.	This variation has occurred due to the fact that there are goods with two prices but they are listed at the same price, and steps are being taken to correct it.	Accounts must be kept correctly.

1.6.4 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
Due to non-submission of balance confirmations and asset documents, 03 accounting items worth Rs. 8,834,805 could not be satisfactorily examined.	This unidentified remains will be dealt with in the future.	Written evidence must be submitted to substantiate the information.

1.7 Non- Compliances

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

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

Reference to Laws, Rules Regulations etc.	Comments of the Council	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987 Section 134 (1)	The council had not identified and declared the developed areas and had not taken steps to levy an	That steps have been taken to levy Must act in accordance with rules and regulations.

assessment tax on the annual value of a specific property or type of immovable property located within those areas, subject to the approval of the Minister. assessment tax from the year 2025.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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Action had not been taken in accordance with the financial regulations regarding mixed deposits exceeding 02 years, amounting to Rs. 1,508,761. That is being Financial regulations corrected. 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 31st December 2024 amounted to Rs 14,179,981 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 13,317,548 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

	Audit Observation	Comments of the Council	Recommendation
(a) License Fees			
(i)	Although all industries included in the list obtained by conducting an annual survey in accordance with Pradeshiya Sabha Rule 06 should be included in the Industrial Tax Register, Business Tax Register and Trade License Fee Register, only businesses that pay fees were included in the register without based on survey information.	That they will document and charge fees after conducting a formal business survey in the future.	The Pradeshiya Sabha should act in accordance with its rules.
(ii)	In terms of Section 06 (b) and (c) of the National Environment Act No. 47 of 1980, it was stated that an Environmental Protection Permit should be valid for a period not exceeding 03 years. The necessary steps had not been taken to renew 14 Environmental Protection Permits that were due for renewal in the year 2024 and to recover the fees.	These industry owners have been informed and sent reminders, but they have not come to obtain licenses. If the industries have stopped, they have also been informed to confirm and inform through the Grama Niladhari. A special notification letter is also being sent at this time. It is said that steps will be taken to recover the fees of previous years when obtaining licenses.	Acts must be carried out in accordance with laws and regulations.

3. Operational Review

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The total value of 09 accounts receivable balance items as of 31st December of the year under review was Rs. 43,720,541 and according to the time analysis, Rs. 43,435,270 related to the period from 1 to 5 years and the total exceeding a period of 5 years was Rs. 285,271.	Acreage tax of Rs. 2,075 stamp duty receivable of Rs. 2,067,425 salary total of Rs. 8,246 arrears of court fines of Rs. 5,360,000 advances of Rs. 163,887 industrial debts of Rs. 3,930,449 and project debts of Rs. 86,291 have been received.	Action should be taken to recover the balance due.
(b) The total value of 09 accounts payable as at 31st December of the year under review was Rs.32,916,006 out of which the deposits payable for a period between 1 and 5 years were Rs.24,803,240 and the total balance of accounts that had exceeded 5 years was Rs.8,112,766. No steps had been taken to verify the existence of these and settle them. .	Payments of Rs. 4,918,156 to industrial creditors and Rs. 14,800 to street line deposits have been made.	The balance due must be confirmed and paid as scheduled.

3.2 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Council	Recommendation
Four vehicles of combined value of Rs. 465,000 and a concrete mixture had been laying in the council premises idly without any use.	An appraisal board has been appointed on the instructions of the Local Government Commissioner and the vehicles have been appraised. The auction will be held as soon as the relevant appraisal report is received.	Steps should be taken to dispose of idle assets.

3.3 Assets Management

Audit Observation	Comments of the Council	Recommendation
(a) Fixed asset records had not been maintained in accordance with the general 287 format for machinery and equipment, furniture and fixtures, and computer accessories.	There is a fixed asset register for machinery and equipment. A purchase order register is maintained for furniture and fixtures and computer accessories.	Documents should be maintained according to the format.
(b) There were 03 vehicles not taken over used by the council and Rs. 899,240 had been spent during the year under review in relation to those vehicles. .	The motorcycle has been provided to our council plan by Sri Lankan institutions. As the institution has now ceased operations, there were problems in taking it over. Currently, the process of taking over the motorcycle is underway. There is no registration certificate for the road pavement. The transfer documents have been forwarded to the relevant institutions.	Steps should be taken to secure ownership and transfer it to the council.
(c) The ownership of 32 plots of land, including the land where the main office of the council is located, and 128 cemeteries located within the jurisdiction of the Pradeshiya Sabha had not been transferred.	Three lands have been sent to the Commissioner General of Lands for acquisition in 2024, and relevant steps are being taken to acquire other lands after conducting a government survey.	Action must be taken to transfer ownership of the lands.
(d) There was a contradiction as the engine number stated on the cab owned by the council was 4D56DV6816 and the number stated on the registration certificate of that cab was 4D56-FD4932.	According to the existing logbook, although engine repairs have been carried out over the past 11 years, there has been no mention of an engine being installed. It is not possible to find specific information about whether the engine was installed before that.	Steps should be taken to ensure the security of assets.

3.4 Defects in Contract Administration

Audit Observation	Comments of the Council	Recommendation
The work of 52 industries planned to be completed in 2024 with a provision of Rs. 21,526,000 had not been commenced or commenced as of 31st December of the year under review.	The heavy rains in the past few days have left many of the Pradeshiya Sabha roads in a dilapidated state. Due to the strong demand of the public and the difficulty in moving on those roads, they had to be	Action should be taken to conduct the affairs of the council according to the action plan.

repaired urgently due to the dilapidated condition. Therefore, several planned roads had to be revised and these essential roads had to be repaired.

3.5 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
(a) There were 07 vacancies in relation to 05 secondary level posts and 27 excess development officers attached to the council by the Local Government Department who were not included in the approved staff in the secondary staff.	The currently serving secondary level staff have also been temporarily employed in the vacant posts. Out of the 27 officers assigned from the Local Government Department, 05 have now been assigned to the Audit Department.	Recruitment should be done with approval based on service requirements.
(b) During the year under review, Rs. 3,674,723 was paid as salaries and allowances to 09 casual, substitute, contract and daily wage workers who had been recruited in excess of the approved staff.	Of these 09 people, 05 who are in the position of Library Assistant have received permanent appointments in the year 2024 and these people have been referred to the Department of Management Services for inclusion in the approved staff. The remaining 04 people are working in the compost project and the approval of the Provincial Governor's Secretary has been received for their recruitment.	Recruitment should be done with approval based on service requirements.

3.6 Management of Vehicle

Audit Observation	Comments of the Council	Recommendation
(a) The stone crushers in the possession of the council had not been registered with the Motor Vehicle Registration Department.	No written document related to the road crushing has been provided.	All vehicles must be registered with the Motor Vehicle Registration Department.
(b) Although the damage caused by the three-wheeler owned by the council was assessed at Rs. 42,630 during the year under review, the responsible parties had not been identified and the damage had not been reimbursed.	Although the three-wheeler owned by the council was involved in an accident on 3 rd October 2024 the insurance company that was entrusted with full insurance coverage, Sanasa Insurance Company, has not yet paid the insurance compensation.	Those responsible should be identified and steps should be taken to reimburse for the loss.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
(a) A variation of 21 to 147 percent was observed between the estimated and actual revenues of 07 revenue items in the year under review, and a variation of more than 20 percent was observed between the estimated allocations and actual expenditures of 07 expenditure items. Accordingly, the budget document had not been utilized as an effective management control instrument.	Necessary steps are being taken to utilize the budget document as an effective management control tool in the future.	Efforts should be made to utilize the budget document as an effective management control tool.
(b) 33 industries with an unbudgeted total value of Rs. 3,025,146 were completed In the year 2024.	These are roads that had to be constructed due to emergency situations and these roads were completed with estimates prepared with the approval of the Department of Local Government.	Action should be taken to conduct the affairs of the council according to the action plan.

4.2 Sustainable Development Goals

Audit Observation	Comments of the Council	Recommendation
The Council was not sufficiently aware of the 2030 Agenda for Sustainable Development and had not identified sustainable development goals and indicators. Also, a sustainable development plan had not been prepared..	It is stated that after the new term begins, steps have been taken to prepare the Sustainable Development Agenda from 2025.	Plans must be made and implemented.