

## **1. Financial Statements**

### **1.1 Qualified Opinion**

The audit of the financial statements of the Medadumbara Pradeshiya Sabha for the year ended 31 December 2023 comprising with the Balance Sheet as at 31 December 2023 and Income and Expenditure Account, 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 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 Medadumbara Pradeshiya Sabha as at 31 December 2023, and of its financial performance 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 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.

### **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 includes 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 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

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	In the year 2021, 08 unimplemented projects estimated at Rs.3,241,804 were erroneously accounted under creditors.	F.R. 104 (4) investigation will be conducted.	Financial statements should be prepared correctly.
(b)	Stamp duty revenue for the year under review had been over-accounted by Rs.20,376,960.	The receipts of previous years were accounted as income of the year under review.	Income should be properly accounted for.
(c)	As the amount payable to the Pension Contributory Fund related to the year under review of Rs.18,163 and miscellaneous expenses of Rs.475,739, has been debited to the accumulated fund without being debited as expenses of the year, expenses had been understated by Rs.493,602.	It will be corrected in the coming year.	Financial statements should correctly be prepared.

### 1.6.2 Unreconciled Control Accounts or Records

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
	There was a difference of Rs.14,172,672 when comparing the balance of the general deposit account shown in the financial statements with the balance shown in the source documents as at the end of the year under review.	Action will be taken to resolve	The difference should be recognized and accounted for.

### 1.6.3 Documentary Evidences not made available for Audit

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Due to the non-submission of deeds and other documents, physical presence and board of survey reports and balance confirmations related to 03 asset balances and liability balances showing the sum of Rs.7,112,061 in the financial statements, they could not be satisfactorily verified.	It will be corrected in the future	Balance should be verified.

### 1.7 Non- Compliances

#### Non-compliance with Laws, Rules, Regulations and Management Decisions

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

<b>Reference to Laws, Rules Regulations etc</b>	<b>Non-compliance</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>	
(a) Urban Development Authority (Amended) Act No. 41 of 1978 published in Extraordinary Gazette No. 2235/64 dated 08 July 2021	Paragraph 84	In order to complete and occupy according to the approved development permit and development plan, a conformity certificate should be given, but no compliance certificates were issued in respect of 141 building applications approved between 2021 and previous year.	The relevant parties have been informed in writing.	It should be complied with the provisions of the Act.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka				

(i)	Financial Regulation 104 (3), 104(4)	The investigations related to 04 problematic items of irrecoverable parking charges, water charges, employee loans, creditor/debtor balances, were not completed and losses amounting to Rs.4,108,899 had not been recovered.	The relevant investigations will be carried out	It should be complied with Financial regulations.
(ii)	Financial Regulation 571 (3)	The total amount of lapsed various deposits for the period from 2017 to 2021 of Rs.1,471,114, was not settled.	It will be complied with Financial regulations.	It should be complied with Financial regulations.
(c)	Central Province Local Government Commissioner's Circular No. 05/2010 dated 24 November 2010	Allowances of Rs.1,213,833 were paid to a Public Relations Officer from 2018 to the year under review even the required qualifications have not been completed.	The relevant allowance has been paid unknowingly.	Circular instructions should 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 31 December 2023 amounted to Rs.54,122,301 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 32,917,402 in the preceding year

### 2.2 Revenue Administration

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

According to the information presented by the Secretary 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.

Source of Revenue	2023				2022			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	1,881,894	2,126,773	2,329,659	818,753	1,772,630	2,113,297	2,494,108	1,021,640
(ii) Rent	3,839,400	3,901,286	4,628,568	1,529,058	1,272,339	3,668,192	5,354,029	2,256,340
(iii) License Fees	3,150,225	3,648,165	3,696,215	-	3,544,196	2,526,735	2,685,485	48,050
(iv) Other revenue	31,032,187	48,192,037	29,691,524	83,522,323	69,704,926	55,664,536	56,934,801	65,021,810
	<u>39,903,706</u>	<u>57,868,261</u>	<u>40,345,966</u>	<u>85,870,134</u>	<u>76,294,091</u>	<u>63,972,760</u>	<u>67,468,423</u>	<u>68,347,840</u>

### 2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Sabha are given below.

Audit Observation	Comments of the Sabha	Recommendation
<b>(a) Rates and Taxes</b>		
At the end of the year under review, the outstanding assessment balance was Rs.677,683, and the total of 08 properties in which assessment arrears exceeded Rs.5,000 per unit was Rs.85,138.	The analysis license has been issued to seize on the property.	The revenue in arrears should be recovered.
<b>(b) Stall Rent</b>		
<b>(i)</b> At the end of the year under review, the rent arrears was Rs.1,529,057 and a rent balance of Rs.1,075,621 for more than 05 years and Rs.41,305 for the period between 3-5 years had not been recovered.	Concerned parties will be informed and necessary action will be taken.	Revenue should be charged.
<b>(ii)</b> Although 08 years have passed since rent had charged based on the assessment report dated 02 March 2015, for 25 stalls in Theldeniya Economic Centre, a new assessment report has not been obtained.	The new assessment will be implemented	Rent should be charged as per the new assessment.
<b>(iii)</b> In respect of 06 stalls on the hospital circular road, a revised rent amount by a Sabha proposal in 1999 was collected and according to the new assessment made in 2019, the stall rent of Rs.415,298 related	-Do-	-Do-

to the period 2020 to 2023 had not been collected.

**(c) Court Fine and Stamp Fee**

Court fines amounting to Rs.538,038 and stamp duty amounting to Rs.35,129,755 were due from the Chief Secretary of the Provincial Council and other authorities on December 31 of the year under review.

It will be recovered.

Outstanding stamp duty and court fines should be collected.

**3. Operational Review**

**3.1 Fulfillment of functions assigned by the Act**

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.

Audit Observation	Comments of the Sabha	Recommendation
(a) According to the water sample test reports of 02 water projects belonging to the Sabha in the reviewed year, the concentration of E Coli and Coliform bacteria were in unfavorable condition. As per section 78 (1) of the Pradeshiya Sabha Act No. 15 of 1987, although it is stated that the Sabha should act as the public health authority in this regard, without any concern about it, contaminated water, which is unsuitable for drinking, was distributed to the public.	The health screening advice has been given.	Clean water should be distributed.
(b) According to the provisions of Section 93 (b) of the Pradeshiya Sabha Act No. 15 of 1987, no gully service was maintained to enable regular cleaning and emptying of pits for the disposal of sewerage from the houses in the area.	The necessary functions are performed by the nearest local authorities.	It should be done according to the Act.

### 3.2 Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) The total of 09 accounts receivable balances as on December 31 of the year under review was Rs.13,470,887 and according to the age analysis presented, the total of account balances between 1 and 5 years of Rs.4,542,105 and the total for more than 5 years of Rs.4,572,290 had not been charged.	A F.R.104(4) investigations will be conducted to recover.	Receivable balances should be recovered.
(b) The total of 02 accounts payable balances as on December 31 of the year under review was Rs.34,157,840 and according to the age analysis presented, the total of account balances related to the period between 1 and 5 years of Rs.3,357,500 and the total for more than 5 years of Rs.2,444,049 was not settled.	Action will be taken to settle	Payable balances should be settled.
(c) There was Rs.8,283,993 unconfirmed stamp duty income related to the period 1989-2017 and outstanding court fines related to the period 2011-2016 amounted to Rs.209,200, which had not been collected from the relevant institutions.	A F.R.104(4) investigations will be conducted	Revenue in arrears must be recovered.

### 3.3 Idle or Under-utilized Property Plan and Equipment

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) 07 vehicles worth Rs.17,850,000 and a water bowser worth Rs.177,500 remained idle and underutilized from 02 to 09 years.	Action will be taken to repair and dispose of.	Action should be taken to repair and dispose of
(b) 02 stalls belonging to the Sabha were closed from 2014 to the year under review.	It will be used for some other productive purpose.	It should be employed for productive work.



### 3.4 Assets Management

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) The ownership of a cab and 02 jeeps used by the Sabha had not been taken over.	Action will be taken to take over the ownership.	Ownership should be taken over.
(b) The ownership of existing land and buildings in the possession of the Sabha had not been confirmed, and the ownership of 59 properties and 24 community halls had not been taken over.	Action will be taken to take over.	Ownership should be taken over.

### 3.5 Human Resources Management

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Comparing the approved staff with the actual staff, there were 22 vacancies in 10 posts and 08 excess in one post.	Recruitment to the vacancies has been suspended and there is redundancy by attaching officers for the post of Development Officer as per the policy decisions of the Government.	Relevant work should be done according to the approved staff.

## 4. Accountability and Good Governance

### 4.1 Budgetary Control

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
06 projects totaling Rs. 1,120,000, which were included in the budget of the year under review, were not completed and 12 unbudgeted projects worth Rs.19,830,806 had been completed. Due to this, budget documents were not used as an effective control tool.	The respective projects could not be completed.	Budgeted projects should be completed.

## 4.2 Sustainable Development Goal

### **Audit Observation**

According to the provisions of the Sustainable Development Act, the Sabha had not identified sustainable development objectives and targets and had not worked to achieve them.

### **Comments of the Sabha**

Relevant programs have been implemented.

### **Recommendation**

Sustainable development indicators should be identified and goals and targets should be achieved.