

## **Madadumbara Pradeshiya Sabha - 2024**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Madadumbara Pradeshiya Sabha for the year ended 31 December 2024 comprising with the Balance Sheet as at 31 December 2024 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 sub-section 10 (1) of 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 Madadumbara Pradeshiya Sabha as at 31 December 2024, and of its financial performance and for the year then ended in accordance with Generally accepted Accounting Practices

#### **1.2 Basis for Qualified Opinion**

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

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 of the Pradeshiya Sabha 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 Financial Statements

### 1.6.1 Accounting Deficiencies

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	The total amount of Rs. 27,741,516 spent during the year under review for the construction of buildings owned by the Sabha, vehicle repairs and other development activities had not been capitalized.	Action will be taken to correct it in the next year.	Accounts should be prepared correctly.
(b)	The value of the land measuring 01 acre and 6.6 perches, which was Rs. 4,150,000 received by the Pradeshiya Sabha for public works in the Narangolla Estate auction land during the year under review had not been accounted for.	Do	Do
(c)	The capital aid receipts for the year under review were under-accounted by Rs. 37,987,464.	No provisions were made in the 2024 budget.	Do
(d)	Capital expenditure in the year under review had been understated by Rs. 15,761,191.	It was not possible to make provisions for capital expenditure in the budget.	Do

### 1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
When comparing the total balances of 02 asset subjects and a liability subject shown in the financial statements as at the end of the year under review with the total balances shown in the Schedule, a difference of Rs. 15,479,267 was observed.	The differences between library books and general deposits will be corrected next year.	Schedules for account balances should be prepared accurately.

### 1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to non-submission of documents and schedules in respect of 03 asset subjects and a liability subject totalling Rs. 1,304,632 as shown in the financial statements as at the end of the year under review, they could not be satisfactorily verified.	Committees will be appointed to observed and settle these balances.	Relevant documents should be prepared for accounting subjects.

## 1.7 Non- Compliances

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

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

Reference to Laws, Rules Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a) The Butchers Ordinance No. 09 of 1893			
Sections 4 (1), 06 and 10	A slaughter house and 02 butcher stalls located in the Sabha area had been operated without signing security deeds and obtaining licenses. Also, action had not been taken to pre-register the slaughtered cattle with the Pradeshiya Sabha.	Action should be taken according to laws and regulations.	Necessary action should be taken regarding the illegally operated slaughter house.

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

F.R. 104(4)	As of the end of the year under review, the investigations conducted regarding the non-disclosure and settlement of 08 account balances had not been completed but losses totalling Rs. 14,070,204 had not been recovered.	The investigations will be completed promptly and further action will be taken.	Action should be taken to recover the losses.
<b>(c)</b> Paragraph 13 and 15 of the Local Government Engineer's Circular No. 4/4/Engineering General and dated 22 April 2024	The relevant quality testing reports of 06 development projects completed during the year under review at a total cost of Rs. 4,070,000 had not been obtained.	No comments	Action should be taken to obtain relevant quality testing reports.

**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 2024 amounted to Rs.27,381,984 as compared with the excess of revenue over recurrent expenditure amounted to Rs.54,122,302 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 of the Sabha 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.

		2024				2023			
	Source of Revenue	Estimated Revenue	Revenue billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Total arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	1,881,894	3,444,010	3,443,038	819,725	1,881,894	2,126,773	2,329,773	818,753
(ii)	Rent	3,839,400	6,414,996	5,153,940	2,790,114	3,839,400	3,901,286	4,628,568	1,529,058
(iii)	License Fees	3,150,225	4,572,271	4,572,271	-	3,150,225	3,648,165	3,696,215	
(iv)	Other revenue	31,032,187	44,407,533	63,831,492	20,178,398	31,032,187	48,192,037	29,691,524	39,602,357
	<b>Total</b>	<b>39,903,706</b>	<b>58,838,810</b>	<b>77,000,741</b>	<b>23,788,237</b>	<b>39,903,706</b>	<b>57,868,261</b>	<b>40,346,080</b>	<b>41,950,168</b>

### 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
<p><b>(a) Rates and Tax</b></p> <p>As at 31st December of the year under review, action had not been taken to recover acreage taxes of Rs. 107,597, which were outstanding for more than 05 years, from 67 individuals.</p>	<p>Actions are being taken to recover.</p>	<p>The arrears of rates income should be collected.</p>
<p><b>(b) Court fines and Stamp duty</b></p> <p>The court fines and stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31st December of the year under review amounted to Rs. 927,765 and Rs. 15,797,994, respectively.</p>	<p>An investigation will be conducted into the unrecoverable funds.</p>	<p>The income receivable should be brought in.</p>

## 3. Operational Review

### 3.1 Fulfilment 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.

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) Although according to sections 93 to 95 of the Pradeshiya Sabha Act No. 15 of 1987, the Pradeshiya Sabha is required to carry out the transportation of sewerage and treatment of sewerage, the attention of the Sabha had not been focused on starting the gully truck service and starting a sewerage treatment unit.	There is no suitable land to start a gully truck service, and there is also no technical and financial capacity.	The functions of the Act should be performed for the public welfare of the people of the area of authority.
(b) Although the water quality test reports of 4 water sources belonging to the Sabha indicate that the number of bacteria in the water is higher than the amount that should be present, the Sabha had not taken steps to purify and distribute the water in the relevant water sources.	Public Health Inspectors have advised the public to drink boiled water.	A system for purifying and distributing water from water sources should be established.

### 3.2 Management inefficiencies

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) The total balance of 08 accounts receivable as at 31st December of the year under review was Rs.39,783,826. Therein the total balance of accounts receivable for the period between 01 to 05 years was Rs.1,185,899 and the total balance of accounts receivable for more than 05 years was Rs.12,011,016.	<input type="checkbox"/> Investigations are being carried out, and mobile services and seize of properties will be conducted to recover arrears for rates, acreage taxes.	Action should be taken to recover the amount promptly.
(b) The total of 02 accounts payable balances as at 31st December of the year under review was Rs.65,803,102. Out of this, the total of the account balances relating to the period between 01 to 05 years was Rs.5,074,300 and the total of the account balances for more than 05 years was Rs.18,057,540.	A committee has been appointed and action will be taken according to the inspection report.	The payable balance should be settled.

### 3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
06 vehicles belonging to the Sabha, worth a total of Rs. 16,962,500, and 02 vehicles of unknown value, had been idle or underutilized for a period of between 02 and 12 years without use.	Action will be taken to auction off, and repair once the ownership of the vehicles is taken over.	Action should be taken to repair and utilize vehicles, and to dispose of vehicles that are disposable.

### 3.4 Contracts Administration

Audit Observation	Comments of the Sabha	Recommendation
(a) Although the highway schedule of rates for the second half of the previous year had been revised, a total of Rs. 522,056 had been overpaid due to the preparation of estimates for 23 road and drainage construction development projects based on the rates for the first half of the previous year.	The revised highway schedule of rates (HSR) for the second half of 2023 has not been received and action will be taken to recover the overpaid amount.	Estimates should be prepared and payments made based on the revised highway schedule of rates, and additional payments should be recovered.
(b) Although the highway Schedule rate to be used for the formwork of drains in 03 projects in the year under review was ST-112, an excess of Rs. 233,046 was paid due to the use of ST 64.	When using form work, separate amount should be added for the use of props.	The prescribed highway Schedule rate should be used.

### 3.5 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
In comparing the approved carder and the actual carder of the Sabha, 20 vacancies in 10 posts were observed as of the end of the year under review.	Since it had been informed to suspense all recruitments, recruitments for all primary grade positions have been suspended.	Vacancies should be filled and the work of the Sabha should be carried out efficiently.