

## **Pasbage Korale Pradeshiya Sabha - 2024**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Pasbage Korale 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 Pasbage Korale 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 Audit Observations on the preparation of Financial Statements**

### **Documentary Evidences not made available for Audit**

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) Due to the fact that the files and documents of 05 asset subjects totalling Rs. 186,249 and 04 liability subjects totalling Rs. 333,752 shown in the financial statements of the year under review were not submitted for audit, it was not possible to verify them satisfactorily during the audit.	It is impossible to find account books and files from previous years.	Relevant documents, files and schedules should be maintained to verify each account balance.
(b) Due to the malfunctioning of the milometers of 03 vehicles owned by the Sabha, it was not possible to satisfactorily verify the 15,830 kilometres driven and the 7,890 litters of fuel worth Rs. 1,773,344 spent for the period from 2020 to 2024 during the audit.	It will send to the garage, to set the milometers.	An investigation should be conducted into whether the officer in charge of the vehicles with non-functioning milometers was informed or not and whether it has not been repaired for a long time, and also the milometers should be repaired and the vehicles should be used.

## **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)	<b>1988 Pradeshiya Sabha (Finance and Administration) Rules</b> Rule 59	No survey on industries had been conducted for the year under review.	The surveys will be carried out in the future.	A survey should be conducted annually.
(b)	<b>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b> F.R.571(3)	Action had not been taken to settle 66 lapsed deposits of Rs. 2,468,648 related for the period 2022 to 2024.	Action will be taken to settle in the future.	Lapsed deposits should be settled.
(c)	Circular No. 1988/22 of the Commissioner of Local Government dated 17 <sup>th</sup> May 1988	Although all immovable properties within the Sabha area should be assessed every 5 years to levy rates, no new assessment has been carried out since 2009 and rates have been levied.	Due to the delay in the Governor's approval, the valuation of rates could not be carried out.	Assessments should be assessed once in every 5 years and rates should be levied.

## 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. 24,578,983 as compared with the excess of revenue over recurrent expenditure amounted to Rs.28,356,264 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	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	853,000	781,973	722,756	648,326	6,610,000	760,654	1,080,120	589,109
(ii) Rent	3,979,100	1,262,647	1,185,451	488,153	3,313,475	680,565	683,391	410,957
(iii) License Fees	1,074,500	1,146,570	1,139,570	695,300	1,082,000	777,850	768,350	688,300
(iv) Other revenue	43,276,000	41,537,228	40,523,960	39,283,738	39,773,000	41,461,532	35,001,661	38,270,470
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Total	49,182,600	44,728,418	43,571,737	41,115,517	50,778,475	43,680,601	37,533,522	39,958,836
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### 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</b></p> <p>As at the end of the year under review, there was an arrears balance of Rs. 611,661, out of which there was an arrears of Rs. 125,032 in 18 assessment units exceeding Rs. 5,000. In this regard, action had not been taken to recover the arrears of rates in accordance with Section 158(1) of the Pradeshia Sabha Act No. 15 of 1987.</p>	Action will be taken to recover the arrears balances.	Arrears of revenue should be collected promptly.
<p><b>(b) Court fines and Stamp duty</b></p> <p>Court fines of Rs. 3,081,553 and stamp duty of Rs. 24,655,100 were due from the Chief Secretary of the Provincial Council and other authorities as of 31 December 2024.</p>	Action should be taken to bring the money.	Action should be taken to collect court fines and stamp duties.
<p><b>(c) Other Income</b></p> <p><b>Advertisement board fees</b></p> <p>There was an arrears of Rs. 468,454 as at the end of the year under review, and within this arrears, the arrears relating to the period between 01 and 05 years from 28 institutions was Rs. 343,654.</p>	Action will be taken to remove and auction off advertisement boards that do not pay their dues.	The arrears should be collected.

### **3. Operational Review**

#### **3.1 Management inefficiencies**

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendatio</b>
(a) During the period from 2021 to 2024, 298 building plan applications were received, and although development permits were issued for 267 of these applications, certificates of conformity had not been issued for 183 of these permits. No follow-up activities had been carried out for development permits for which certificates of conformity had not been issued.	Each applicant will be given the opportunity to carry out construction work for a period of 06 years.	Follow-up activities should be carried out and, as appropriate, certificates of conformity should be issued.
(b) For the construction of the Balangoda North Community Hall on land belonging to the Road Development Authority, based on the provisions of the Pura Neguma Project the construction was assigned in accordance with the contract with the contractor in the year 2014. However, the Divisional Secretary had refused to pay the money due to the construction being carried out without the approval of the Road Development Authority. Accordingly, although the party that implemented the project should have been held responsible, no action had been taken to pay the bill value of Rs. 1,470,000 to the contractor even after 10 years had passed.	The relevant amount has been shown in the final account as creditors.	The bill should be settled as per the agreement, and an investigation should be conducted into the matter of operating without formal approval.
(c) The total of 05 accounts receivable balances as of 31 December of the year under review was Rs. 31,320,328, of which the total of account balances relating to the period between 01 and 05 years was Rs. 5,903,188 and the total of account balances for more than 05 years was Rs. 6,631,392.	Action will be taken to recover the outstanding amount.	Receivable balances should be collected.
(d) The total arrears balance of 40 development projects as of 31 <sup>st</sup> December of the year under review was Rs.24,712,961, of which the total arrears balance was Rs. 2,225,704, which had been lapsed for a period of between 01 and 05 years.	The money has not yet been reimbursed.	Creditor balances should be settled.

(e)	Drinking water was distributed without taking water samples and testing its quality in 19 water projects comprising 2,715 water consumers.	Water samples from 03 sources have been tested so far. The rest will be tested in the future.	Arrangements should be made to provide water suitable for drinking.
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## 3.2 Assets Management

### Audit Observation

Action had not been taken to take over 133 immovable properties owned by the Sabha

### Comments of the Sabha

It will take over in the future.

### Recommendation

The property owned by the Sabha should be taken over.