

## Thumpane Pradeshiya Sabha - 2024

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Thumpane 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 reported 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 Thumpane 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**

### **1.6.1 Accounting Deficiencies**

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) The total value of the demolished 6 buildings, worth Rs. 835,000, had been accounted for under Land and Buildings.	It will be accounted for correctly.	Accounts should be prepared correctly.
(b) The total value of Rs. 613,664 of a crematorium and a crematorium chimney, which were accounted for under crematorium buildings, was also shown under machinery and industrial equipment, resulting in an overstatement of the total by Rs. 613,664.	It will be accounted for correctly in the future.	Accounts should be prepared correctly.

### **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. 234,229 in the balances relating to 02 account subjects shown in the financial statements as at the end of the year under review, compared to the balances shown in the schedules.	It will be corrected in the future.	Account balances should be adjusted to match with the schedules.

### **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 documents and files relating to the total creditor balance and asset balance of Rs. 511,289 shown in the financial statements, they could not be satisfactorily verified during the audit.	It will be corrected in the future.	Evidence proving the asset balance should be submitted.

## 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 and Regulations	Non-compliance	Comments of the Council	Recommendation
(a) Rating and valuation Ordinance No. 30 of 1946 Section 20	Although the valuation of properties related to rates should be carried out once every 5 years, rates had been levied for the year under review based on the valuation report carried out in 2017.	The revisions will be made in the future.	Property should be assessed time to time and rates should be levied.
(b) Pradeshiya Sabha (Finance and Administration) Rules 1988 Rules 218	After 1987, no survey of lands and buildings had been conducted up to the year under review.	It will be corrected in the future.	Surveys should be conducted time to time and the existence of assets should be verified.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 571(3)	59 various deposits amounting to Rs. 1,545,798, which had been lapsed and related to the period from 2015 to 2020, had not been settled.	It will be settled in the future.	Lapsed deposits should be settled.

## 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.39,390,614 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 26,534,929 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.

Source of Revenue	2024				2023			
	Estimated Revenue	Estimated Revenue	Estimated Revenue	Estimated Revenue	Estimated Revenue	Estimated Revenue	Estimated Revenue	Estimated Revenue
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	8,646,200	8,782,302	9,111,826	2,353,789	6,544,000	8,075,007	8,539,675	2,683,313
(ii) Rent	6,772,000	8,330,877	8,216,737	399,228	4,858,600	6,387,497	6,511,256	285,088
(iii) License Fees	1,820,000	2,685,388	2,685,388	-	1,650,000	1,779,800	1,968,921	-
(iv) Other revenue	48,195,400	52,313,148	47,807,544	30,423,956	46,985,500	45,018,113	52,167,883	25,918,352
	<u>65,433,600</u>	<u>72,111,715</u>	<u>67,821,495</u>	<u>33,176,973</u>	<u>60,038,100</u>	<u>61,260,417</u>	<u>69,187,735</u>	<u>28,886,753</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</b> The arrears rates balance as at the end of the year under review was Rs. 847,119, therein 9 assessment units exceeding Rs. 5,000 had an arrears of Rs. 107,964.	Action will be taken to recover it.	Arrears of revenue should be collected promptly.
<b>(b) Rent</b> Although a valuation report had been obtained for 49 stalls in the Hatharaliyadda trade complex on 17th January 2017, it had not been implemented and rent had been collected up to the year under review based on a temporary valuation report of the Revenue Inspector for the year 2015. As a result, the Sabha had lost Rs. 5,234,500 due to non-implementation of the valuation report for the period from February 2017 to 31st December 2024.	It will be investigated and reported promptly.	Action should be taken to collect the charges according to the assessment reports.

**(c) License**

A formal survey of businesses and industries had not been conducted in accordance with the Pradeshiya Sabha (Finance and Administration) Rules 59 of 1988.

A formal survey will be conducted in the future.

Surveys should be conducted and permits issued within the stipulated time.

**(d) Other Income**

**Three-Wheeler parking fees**

As per the by-laws of the Pradeshiya Sabha regarding parking of three-wheelers published in the Extraordinary Gazette No. 2017/42 dated 05 May 2017, due to non-collection of charges, there was an arrears balance of Rs. 687,850 at 34 parking lots as at the end of the year under review.

Legal action will be taken and charges will be levied in the future.

Action should be taken to collect parking fees for three-wheelers.

**(e) Court fines and Stamp duty**

The stamp duty receivable from the Chief Secretary of the Provincial Council and other authorities as at 31st December of the year under review was Rs. 27,738,920.

Action will be taken to recover the arrears balances.

The arrears of revenue should be recovered.

**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

**Audit Observation**

**Comments of the Sabha**

**Recommendation**

Without being used recurrent income in previous years, for regional development, Rs. 62,481,422 had been invested in fixed deposits.

The surplus funds were invested as a deposit.

Surplus funds should be used for regional development.

### 3.2 Identified Losses

Audit Observation	Comments of the Sabha	Recommendation
The Motor vehicle used by the former Chairman, which was provided by the Ministry of Industries of the Central Provincial Council, had caught fire in 2014 and had an accident, and a certificate had been issued by an automotive engineer had certified the repair cost of this motor vehicle to be Rs. 1,009,400 just to get it running condition. But three years after the accident, the F.R. 104(4) investigation had recommended that Rs. 173,120 be recovered, resulting in a loss of Rs. 836,280 to the government.	The charges will be made based on the recommendations received from the F.R. Inspection.	The loss incurred should be accurately determined and recovered from the responsible parties.

### 3.3 Management inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The total of 03 accounts receivable balances as of December 31st of the year under review was Rs. 1,996,112 while the total balances outstanding for more than 5 years was Rs. 2,181,336.	It will be recovered in the future.	Amount receivables should be collected.
(b)	Certificates of Conformity had not been issued for 336 buildings whose building plans were approved during the period from 2021 to 2024, in accordance with Section 84 of the Urban Development Authority Act No. 41 of 1978.	Legal action will be taken.	Certificates of conformity should be issued for residential buildings.
(c)	The value of the land assigned to the Sabha for public activities in the St. George's Estate, Adhikarampura, Medagoda land, which was subdivided and sold at auction in 2006, had not been assessed.	It will be assessed in the future.	The value of the land should be assessed and accounted for.

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

Audit Observation	Comments of the Sabha	Recommendation
03 vehicles, 02 machines and 55 computer devices with a total value of Rs. 11,998,250 had been idle or underutilized for a period of between 03 to 09 years.	The Local Government Commissioner has been informed about the idle vehicles.	It should be disposed of or repaired and utilized.

### **3.5 Human Resource Management**

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
When comparing the approved staff and the actual staff, there were 16 vacancies in 09 posts and 20 excess in 03 posts.	The Chief Secretary and the Local Government Commissioner were informed.	Vacancies should be filled and public services should be maintained efficiently.

## **4. Accountability and Good Governance**

### **4.1 Environmental Problems**

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
As per the provisions of Section 93 (b) of the Pradeshiya Sabha Act No. 15 of 1987, a Gully service had not been maintained to enable the pits to be cleaned and emptied within the proper time frame for the disposal of sewerage from houses in the area.	There is no suitable place.	Problems should be resolved and public needs should be met.

### **4.2 Solid Waste Management**

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Although the Sabha had identified sustainable development goals and targets in accordance with the provisions of the Sustainable Development Act No. 19 of 2017, it had not taken steps to achieve them.	The programs were held.	Sustainable development goals and targets should be identified and implemented.