

Ududumbara Pradeshiya Sabha – 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ududumbara 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 Ududumbara 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

Audit Observation	Comments of the Sabha	Recommendation
(a) The total amount of Rs. 9,161,969 spent on the development of 05 buildings and a water scheme owned by the Sabha in the year under review and previous years had not been capitalized.	It will be corrected next year.	Accounts should be prepared correctly.
(b) The value of the land of Rs.300,000 with 02 roods and 39.03 perches, which was transferred to the Sabha for public activity from the Thammatiyana land auction in the previous year, had not been accounted.	-Do-	-Do-
(c) The Hunnasgiriya Crematorium had incorrectly accounted for Rs. 992,481 spent on the construction of a fence in 2020 when no crematorium had been constructed.	-Do-	-Do-

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the non-submission of documents, schedules and files related to an asset subject amounting to Rs. 7,278,503 and a liability subject amounting to Rs. 155,241, it was not possible to satisfactorily examine during the audit.	It will be corrected next year.	Relevant schedules should be prepared and submitted to verify the account 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)	Pradeshiya Sabha Act No. 15 of 1987			
(i)	Section 128	Action had not been taken to acquire the ownership of 116 plots of land used by Sabha for public purposes.	Further actions are being taken to acquire ownership of the relevant lands.	The ownership of the lands which owned by the Sabha should be taken over.
(ii)	Section 149	A license fee of Rs. 329,950, which was not less than one percent of the revenue, had been undercharged from a hotel in the Sabha area, and the relevant fees had not been collected from one hotel.	Action will be taken to recover the arrears amounts as shown by the audit.	Revenue should be calculated accurately and collected.
(b)	Pradeshiya Sabha (Finance and Administration) Rules, 1988 Rule 218	Although a survey of lands and buildings should be conducted every year, the Sabha had not conducted a survey of assets after the year 2007.	Action will be taken in accordance with the instructions given by the audit.	Surveys should be conducted annually in accordance with the provisions of the Act.
(c)	Circulars			
	Paragraph 13 of the Circular of the Local Government Engineer, Engineer General No. CPC/CLG/4/4 dated 22 April 2024	Although instructions had been given to conduct concrete sample tests (Cube Test) to check the quality of concrete roads, Core Cutter Test to verify the thickness of concrete and only if those test reports fail, to conduct Hammer Test, concrete sample tests or Core Cutter Test had not been conducted in 33 projects completed in the year under review.	The Divisional Secretariat has been instructed not to conduct a Core Cutter Test, but a hammer test has been conducted.	Action should be taken according to the instructions given by the local government engineer.

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.4,557,431 as compared with the excess of revenue over recurrent expenditure amounted to Rs.4,255,725 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	1,980,500	2,103,318	2,474,806	403,979	1,960,500	1,171,997	1,136,564	775,467
(ii)	Rent	3,135,500	3,506,786	2,418,444	4,746,118	3,066,400	3,237,963	3,384,795	3,657,776
(iii)	License Fees	725,600	829,961	822,411	129,300	722,650	614,100	603,350	121,750
(iv)	Other revenue	9,856,000	11,847,287	14,394,724	6,062,742	42,583,400	43,351,616	40,914,621	8,610,179
Total		15,697,600	18,287,352	20,110,385	11,342,139	48,332,950	48,375,676	46,039,330	13,165,172

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>(a) Rates and Tax</p> <p>The arrears of rates as on 31st December of the year under review were Rs. 346,204, of which Rs. 92,323 remained uncollected for a period of between 01 and 03 years, and Rs. 45,767 remained uncollected for more than 03 years, and had not been collected in accordance with Section 158(1) of the Pradeshiya Sabha Act No. 15 of 1987.</p>	<p>A property seizure program will also be implemented to recover arrears rates amounts.</p>	<p>Arrears of assessment tax should be collected by proceeding in accordance with the provisions of the Act.</p>

(b) Rent

A total of Rs. 4,456,026 in stall rent from 21 stall as of December 31st of the year under review had not been collected since 2015.

Lawsuits have been filed to recover the arrears from the 06 stall owned by the Sabha, and those cases are currently pending. Further action will be taken according to the verdict once the cases are concluded.

Stall rent should be collected on time.

(c) Water Charges

Action had not been taken to recover Rs. 250,326 in arrears of water charges, which had been outstanding for more than 5 years, from 59 water consumers whose water connections were disconnected in 03 water schemes belonging to the Sabha.

The relevant parties have been notified of the outstanding water charges through letters, it had been planned to take legal action in the future.

Arrears of revenue should be collected promptly.

(d) Court fines and Stamp duty

The amount of 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 was Rs. 262,047 and Rs. 4,334,340. This includes a stamp duty balance of Rs. 1,353,490 outstanding from 2012 to 2018.

Request letters have been sent to the Office of the Assistant Commissioner of Local Government to recover the outstanding balance.

The income receivable should be brought in.

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
(a)	The Sabha had not held a weekly fair in accordance with Section 119 of the Pradeshiya Sabha Act of 15th August 1987.	Hunnasgiriya Sathipola activities were halted after the COVID-19 pandemic, and despite several attempts, it was not	The functions of the Act should be performed for the public welfare of the people of the area of authority

possible to make the event successful.

(b)	<p>Although a solid waste management unit was constructed and a waste management unit was established in a land of about 01 acre in the Kovulegama area during the period 2010-2017 at a total cost of Rs. 8,556,968, machinery was purchased and a waste management unit was established, but the intended functions were not fulfilled, It was observed that the garbage collected in the year under review was not separated into biodegradable and non-biodegradable, and no actions were taken to produce organic fertilizer, and the garbage collected in the year under review was piled up in one place in the garbage yard building with a foul odor, and the non-biodegradable garbage collected since 2019 was piled up irregularly in a building on the premises and on the garbage yard grounds.</p>	<p>On several occasions in 2024, the access road to this yard was damaged by landslides and heavy rains, which caused difficulties in transporting garbage according to a schedule, So, the garbage is collected separately according to a schedule.</p>	<p>Waste management should be made systematic and efficient by utilizing relevant assets.</p>
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3.2 Management inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
<p>(a) Although a development officer who has been on unpaid leave since June 15 of the previous year could only be paid 15 days' salary for the month of June 2023, an excess of Rs. 25,191 had been paid due to the payment of salary for the entire month.</p>	<p>The development officer has been informed and will take steps to correct the situation in the future.</p>	<p>Internal controls should be strengthened to recover overpayments and prevent future deficiencies.</p>
<p>(b) As of December 31st of the year under review, the total debtor balance of development projects was Rs. 12,295,411, Therein, the balance that had been outstanding for a period of between 01 and 05 years was Rs. 3,573,410, and the balance that had been outstanding for more than 05 years was Rs. 137,058.</p>	<p>In order to write off the amount of Rs. 2,003,978.16, it has been forwarded for approval to the Hon. Minister in charge of the subject on 20th December 2024. The necessary further action will be taken after approval is received.</p>	<p>Action should be taken to promptly recover debtor balances or write off formally.</p>

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| (c) | As of December 31st of the year under review, the total balance of development project creditors was Rs. 9,897,895, of which the balance overdue between 01 and 05 years was Rs. 1,443,331 and the balance overdue for 05 years was Rs. 228,317. | This balance will be corrected in the future. | Accounts payable balances should be settled. |
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3.3 Idle or underutilized Property, Plant and Equipment

	Audit Observation	Comments of the Sabha	Recommendation
(a)	04 vehicles and 02 tractor trailers worth Rs. 12,451,644 owned by the Sabha, have been remained idle for a period of between 04 to 08 years, and no steps have been taken to repair or dispose of these vehicles.	Action will be taken to repair vehicles that can be repaired and vehicles that cannot be repaired should be auctioned off	Vehicles should be repaired or disposed of
(b)	Stalls Nos. 02, 03 and 05 of the three-storey, Hunnasgiriya Multipurpose Building with an area of 4870 square foot, which was constructed in 2016 at a cost of Rs. 70,960,398 under the Puraneguma Project, remained idle. The Hunnasgiriya Weekly Fair had been held on the ground floor of this location, and since no arrangements had been made to hold the Weekly Fair since 2022, the ground floor had also remained idle. It was observed that the intended objectives of the construction of this building were not being fulfilled, and since no maintenance work was being carried out on it, the building was deteriorating.	Necessary steps will be taken to keep this building operational from now on.	The building should be used for productive purposes.

3.4 Contracts Administration

	Audit Observation	Comments of the Sabha	Recommendation
(a)	According to the highwayschedule of rates of the year under review, the price of a 50 kg bag of cement was Rs. 1,891, and the market price in the year 2024 was Rs. 1,800. However, in the construction of roads and drains in 33 projects carried out under the “Kandurata Dashakaya”, Provincial Specific and Pradeshiya Sabha Funds, a special price of Rs. 2,200 was given to the contractors for a 50 kg bag of cement hence an additional payment of Rs. 1,057,185 was made without approval.	When preparing the estimates for the Kandurata Decade project, the Divisional Secretariat gave written instructions to use the cement price as Rs. 2,200, and the estimates have been prepared accordingly.	Since payments should be made according to the Highway Schedule of Rates (HSR), additional payments should be collected.

(b)	When paying for the transportation of metals for development projects, when comparing the distances paid according to the bill with the actual distance from the nearest quarries to the project in the area of authority, an excess of Rs. 388,497 in transportation costs had been paid incorrectly for 33 projects.	The overpaid amount will be deducted from the retention deposit.	Over payments should be charged.
(c)	For the construction work of the Pradeshiya Sabha, a total of Rs. 1,109,929 had been overpaid for 33 projects under investigation, due to payments made to contractors claiming that sand was transported from the Mahaoya area, which is 60km away, even when it was possible to obtain river sand in the Mahiyanganaya area, located 27 km from the sabha.	There have been issues regarding the shortage and declining quality of sand in Mahiyangana since 2021. Accordingly, sand is being supplied from the Mahaoya area.	Action should be taken according to the District Price Committee reports, and additional payments should be charged.
(d)	In the year 2024, Rs. 1,440,561 was paid for the development of the Suriya Arana Road under the “Kandurata Decade Program”. In the payment inspection related to this project, although Rs. 6,429 per cubic meter could be paid for ABC mix according to the highway standard price rate of the year 2024, due to the payment of Rs. 20,000 per cubic meter, Rs. 145,888 was overpaid for cubic meters 10.75, and although Rs. 1,536 per square meter could be paid for formwork, due to the payment of Rs. 2,500 per square meter, Rs. 22,654 was overpaid for 23.50 square meters.	Since no society came forward to carry out the Mee Mure Suriya Arana project of the “Kandukara Decade Program”, the Divisional Secretariat called for quotes from contractors for the project and informed them to carry out the project. Accordingly, the bills will be checked and paid according to the bids submitted for the items by the selected contractor.	Payments should be made according to the highway standard rate and any excess payments should be recovered.

3.5 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
In comparing the approved staff and the actual staff of the Sabha, 15 vacancies in 09 posts were observed as of the last date of the year under review.	Actions are being taken to fill the vacant positions.	Vacancies should be filled.