

Udubaddawa Pradeshiya Sabha – 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Udubaddawa Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Financial Operations, Statement of changes in equity, Cash Flow Statement 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, the sub section 172(1) of Pradeshiya Sabha Act No. 15 of 1987. 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 Udubaddawa Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows 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 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 include 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 of this report 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 Non-Compliance with Generally Accepted Accounting Principles

Non Compliance with the reference to particular Standard	Comments of the council	Recommendation
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As at 31 st December of the year under review, the sabha was in the process of processing 07 cases, which were not disclosed in the financial statements. As of December 31st, 2024, Rs. 149,500 had been paid from the sabha fund as legal fees for those cases.	It has not been revealed by mistake and steps will be taken to apply the relevant notes from the year 2025.	Disclosure about cases should be made in the financial statements.
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1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The value of 02 lands and 04 cemeteries with an assessed value of Rs. 4,092,000 had not been accounted for.	That work will be done to adjust in 2025.	All assets must be properly accounted for.
(b) The value of the wire fence of the Yagamwela Sub-Office worth Rs. 217,000, the value of the wire fence of Lot 03 of the Kollupitiya Wattha Pradeshiya Sabha worth Rs. 225,000 and the value of paving stones in the yard of the Dummalasuriya Pre-School worth Rs. 480,000 had not been capitalized.	That work will be done to adjust in 2025.	All capital expenditures should be accounted for.
(c) The expenditure of Rs. 1,000,000 incurred for the expansion of the non-perishable material storage building of the Solid Waste Management Center under the Provincial Specific Grant had not been capitalized.	That work will be done to adjust in 2025.	Capital expenditures should be accounted for accurately.

1.7 Non- Compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Pradeshiya Sabha Act No. 15 of 1987 Section 134	No steps had been taken to identify and publish the developed rural areas.	The identification and announcement of developed villages was made in 2015 and the public has now filed a case against the institution, resulting in a shortfall in the collection of assessments.	Steps should be taken to identify and publicize developed rural areas and provide services to the people.
(b)	National Audit Act No. 19 of 2018 Section 38(2) of Chapter VII	A copy of the written review to be carried out by the Chief Accounting Officer to ensure that an effective internal control system for financial control is maintained and that the previous review of the effectiveness of that system has been conducted and the necessary changes have been made accordingly to ensure that the systems operate effectively had not been submitted to the Auditor General.	Steps will be taken to submit a written copy of the review to be performed when preparing the financial statements for the year 2025 to the Auditor General.	An effective internal control system must be maintained for financial control.
(c)	Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulations 571 (2)	Action had not been taken to settle 03 deposits of Rs. 4,523,496 over 05 years in accordance with the financial regulations.	It will work to resolve the matter in the future.	Overdue deposits should be settled according to financial regulations.

- (d) Pradeshiya Sabha
Financial and
Administrative
Rules
Rule 218

An annual survey of lands and buildings was to be conducted by an appointed board, but this had not been done.

As pointed out by the audit, a survey board has been appointed and a survey has been conducted.

An annual survey of lands and buildings must be conducted as per the rules.

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. 19,541,885 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 27,529,105 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 submitted by the Secretary, the following is the information on estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year.

Source of Revenue	<u>2024 Year</u>				<u>2023 Year</u>			
	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.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(i) Rates and Taxes	4,918	4,456	4,168	4,234	4,810	4,203	3,770	3,945
(ii) Rent	15,274	15,824	15,889	339	14,088	9,615	15,024	404
(iii) License fees	1,463	1,165	1,165	-	1,391	860	860	-
(iv) Other Revenue	93,635	75,119	99,084	65,145	93,404	16,197	86,925	89,110
Total	115,290	96,564	120,306	69,718	113,693	30,875	106,579	93,459

2.2.2 Performance in Revenue Collection

	Audit Observation	Comments of the Council	Recommendation
(a)	Out of the total outstanding revenue of Rs. 93 million and the total billings of Rs. 96 million as at the beginning of the year under review, Rs. 120 million had been collected and as at December 31 of the year under review, Rs. 69 million remained outstanding.	It is planned to implement programs to recover arrears of revenue from 2025.	Action should be taken to recover arrears of revenue without delay.
(b)	Rates and Taxes		
(i)	Out of the assessment tax balance of Rs. 4,158,900 as on 31st December of the year under review, Rs. 1,869,034 relating to the period between 1 and 5 years and Rs. 2,262,866 relating to more than 05 years remained uncollected. Management had not taken steps to recover those outstanding balances.	That action will be taken to recover it in the future.	Action should be taken to recover the arrears of revenue.
(ii)	The assessment billing for the year under review was Rs. 4,419,189, of which Rs. 1,348,099, or 31 percent, remained in arrears.	As at 31 March 31, 2025, the arrears had been recovered to the extent of 71 percent.	Steps should be taken to recover billed revenue.
(c)	Other Revenue		
	Court fines of Rs. 11,956,820 and stamp duty of Rs. 50,426,689 which were due to be received from the Chief Secretary of the Provincial sabha and other authorities as at 31st December of the year under review had not been collected.	As at 31 st March, 2025, Rs. 10,656,820 of the court fine that should have been received has been collected and Rs. 11,291,550 in stamp duty has been collected.	Steps should be taken to collect court fines and stamp duties.

3. Operational Review

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.

3.1 Performing of Functions Enacted by the Act

Audit Observation	Comments of the Council	Recommendation
Under Section 126 of the Pradeshiya Sabha Act, by-laws could have been enacted to carry out 30 main matters, but by 31 December 2024, the by-laws had not been prepared and adopted and the by-laws that had been enacted were not in effect.	Although the by-law prepared to regulate the fish trade in the jurisdiction on 17.12.2021 has been sent for approval, no response has been received yet.	Action should be taken to streamline the affairs of the sabha by enacting by-laws.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) An investigation was conducted in accordance with financial regulations regarding the breakage of a side glass of a backhoe loader owned by the sabha on June 03, 2024, and the responsible party had not been determined, and an estimate of Rs. 133,990 had been given for the replacement of the side glass. Of that amount, Rs. 115,343 had been reimbursed by the insurance agency and Rs. 18,647 had been borne from the sabha fund based on a committee decision.	It was stated that investigations had not been conducted and those responsible had not been determined in accordance with financial regulations, and that Rs. 115,343 was borne by the insurance agency for the replacement of the side glass, and Rs. 18,647 was borne by the sabha fund based on a committee decision.	Even if the damage is reimbursed by insurance, those responsible must be determined in accordance with financial regulations.
(b) The total value of the 12 accounts receivable balances as of December 31 of the year under review was Rs. 71,111,924. According to the time analysis, the total of the accounts receivable for the period from 1 to 5 years was Rs. 68,759,453 and the total of the accounts receivable balances for the period of 05 years was Rs. 2,325,892, for which attention had not been paid to the recovery of this money.	That action will be taken to recover it in the future.	Action should be taken to recover the balance due.

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| (c) | The total value of 15 account balances payable as at 31st December of the year under review was Rs. 41,615,640. According to the time analysis, the total account balances relating to the period from 1 to 5 years were Rs. 36,879,643 and the total account balances exceeding a period of 05 years were Rs. 4,735,996. No steps had been taken to investigate and settle the existence of these balances. | It will work to resolve the matter in the future. | The existence of outstanding balances should be investigated and action taken to resolve them. |
| (d) | The shortcomings observed were that the CAT software system used by the sabha, which was established in 2021, could not be used to cover all the activities of the sabha and that the necessary reports regarding the activities of the sabha could not be obtained, and no steps had been taken to correct those shortcomings up to the time of the audit. | It will be updated in the future. | Deficiencies should be corrected and efforts should be made to use them effectively. |
| (e) | A formal system had not been developed and implemented to check and verify whether the recommendations given during field inspections and the recommendations of the Environmental Committee regarding the environmental complaints received were being implemented properly. | It is planned to implement a formal system to examine and verify environmental complaints in the future. | A formal system should be developed and implemented. |

3.3 Operational Inefficiencies

Audit Observation

The North Western Provincial sabha, by its Statute No. 01 of 2013, had assigned the registration and supervision of community-based organizations to the local government in that area, but the sabha had not fulfilled that task and the sabha had not formally recognized all the community-based organizations established within the sabha's jurisdiction.

Comments of the Council

No comments.

Recommendation

Steps should be taken to regulate community-based organizations established within the sabha's jurisdiction and streamline their activities.

3.4 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Council	Recommendation
The ambulance owned by the sabha had been parked idle for over 3 years without any repairs being carried out.	That arrangements are being made to assign to another institution.	It must be repaired and put into use or disposed.

3.5 Assets Management

Audit Observation	Comments of the Council	Recommendation
(a) Due to the failure to revalue all assets during the periodic revaluation of assets, assets with nominal values of Rs. 50 and Rs. 100 remained in the registers.	That the necessary further work will be carried out to re-evaluate roads and wells.	The fair value of assets must be disclosed in the accounts.
(b) An asset register had not been maintained for furniture and equipment, and land and building assets had not been identified separately.	If there are any deficiencies in the documents, steps will be taken to correct them.	Steps should be taken to maintain asset records accurately and up-to-date.
(c) 05 playgrounds and 31 cemeteries maintained by the sabha had not been taken over by the sabha by the audit date.	The relevant process is underway.	Steps should be taken to recover did not taken assets.
(d) The ownership of 02 vehicles used by the sabha but registered in the name of another government institution had not been disclosed to the sabha by the date of the audit.	That steps are being taken to take over.	Action should be taken to take over ownership of the vehicles.

3.6 Procurement Management

Audit Observation	Comments of the Council	Recommendation
Procurement files were not maintained for the goods or materials purchased by the sabha, including the purchase request for procurements of higher value, approval for that request, the prices submitted by the bidders in the newspaper advertisement calling for prices, the procurement decision, the recommendation of the Technical Evaluation Committee, the order of materials, etc.	That the files will be maintained in the future.	Files must be maintained to ensure transparency in the procurement process.

3.7 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
As at 31 st December 2024, a loan balance of Rs. 304,460 remained uncollected in respect of two employees. No action had been taken to recover these loan balances.	Payments will be made in installments and steps will be taken to recover the retirement gratuity once it is received.	Action should be taken to recover the loan balance.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
Due to the preparation of budget estimates without proper forecasting, a variation ranging from 2 percent to 52 percent was observed between the budgeted revenue and actual revenue of 08 revenue subjects in the year under review, and a variation ranging from 10 percent to 33 percent was observed in 05 expenditure items.	That the budget will be prepared in a way that will prevent any future variations.	The budget should be prepared in such a way that it can be used as a control tool to support the management of the institution.

4.2 Sustainable Development Goals

Audit Observation	Comments of the Council	Recommendation
The progress towards 02 targets planned to be achieved during the year under review to achieve the Sustainable Development Goals was less than 50 percent and progress on 02 targets had not been reported.	Due to the poor financial situation, the set goals could not be achieved.	Action must be taken to achieve sustainable development goals and targets.