

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Elahera Pradeshiya Sabha for the year ended 31 December 2024 comprising the Statement of assets and liabilities as at 31 December 2024 and the Comprehensive Income Statement, Statement of changes in Net Assets/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, Sub-Section 172 (1) of the 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 accompanying financial statements give a true and fair view of the financial position of the Elahera Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

**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 Sri Lanka Public Sector Accounting Standards for Local Authorities, 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 skepticism 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 Non-Compliance with Sri Lanka Public Sector Accounting Standards for Local authorities

|     | <b>Non Compliance with the reference to particular Standard</b>                                                                                                                                                                                                                                                                                                                             | <b>Comments of the Sabha</b>                                | <b>Recommendation</b>                                  |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------------------|
| (a) | In accordance with EG 3.3 of Appendix 02 of the Sri Lanka Public Sector Accounting Standards for Local authorities, the declining balance method is used as the depreciation method for fixed assets, contrary to what is stated under Accounting Policies and Notes 12, depreciation was calculated using the double-declining balance method formula.                                     | That work will be done to recalculate and adjust from 2020. | Public sector accounting standards should be followed. |
| (b) | As per EG 4.22 of Appendix 02 of the Sri Lanka Public Sector Accounting Standards for Local authorities, the interest rate, term of the loan, date of loan, date of repayment of the loan, terms and conditions of the loan, objectives, collateral and special considerations, if any, were not disclosed with the financial statements for each long-term borrowing of a local authority. | That work will be done to recalculate and adjust from 2020. | Public sector accounting standards should be followed. |
| (c) | Although it was stated in E.G 4.6 of Appendix 02 of the Sri Lanka Public Sector Accounting Standards for Local Government Institutions that provisions should be made for all types of receivables including employee loans and advances, no provision for doubtful debts had been made for those balances.                                                                                 | That there is no need for provision for doubtful debts.     | Public sector accounting standards should be followed. |

## 1.6.2 Accounting Deficiencies

| Audit Observation                                                                                                                                                                                                                                                                     | Comments of the Sabha                                    | Recommendation                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|------------------------------------------------------|
| (a) The annual depreciation of Rs. 117,020 on the motor of the Madudamana Water Project purchased in the previous year was not included in the accumulated depreciation balance, resulting in the net value of the fixtures account being overstated by the same amount.              | That will be corrected in the 2025 financial statements. | Must be accounted in correctly.                      |
| (b) Due to the failure to depreciate by Rs. 596,000n the year under review, the Gully Bowser purchased in the year 2023 by Rs. 14,900,000 , the depreciation value of motor vehicles was stated less by that amount and the balance of motor vehicles was stated more by that amount. | That will be corrected in the 2025 financial statements. | Must be accounted in correctly.                      |
| (c) The outstanding salaries and various creditors were understated by Rs. 241,434, while the bill value of the coming year related to electricity, water and telephone charges was overstated by Rs. 62,371 under supplier creditors.                                                | That will be corrected in the 2025 financial statements. | Must be accounted in correctly.                      |
| (d) The advance payment of Rs. 300,000 paid to the Sri Lanka Mahaweli Authority for the repair of a tractor of the Pradeshiya Sabha had been omitted from the balance of deposits and advances paid.                                                                                  | That it is a share payment.                              | Must be accounted in correctly.                      |
| (e) While calculating the cash flow from operating activities, the increase in debtors was Rs. 70,525,330 as per the asset liability statement, but it was stated as Rs. 73,042,362, which is overstated by Rs. 2,517,032.                                                            | Accepted.                                                | A cash flow statement should be prepared accurately. |
| (f) Although the increase in creditors was Rs. 42,891,030 according to the statement of assets and liabilities, it was shown as Rs. 216,050,024 in the cash flow statement, which was overstated Rs. 173,158,994.                                                                     | Accepted.                                                | A cash flow statement should be prepared accurately. |

|     |                                                                                                                                                                                                                                                                                   |                                                                       |                                                      |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------|
| (g) | The net creditors balance was understated by Rs. 20,214,058 due to the omission of Rs. 20,621,494 which should have been shown as industrial creditors in the year under review and the fact that Rs. 407,436 which had been settled remained in the accounts as creditors.       | Accepted.                                                             | A cash flow statement should be prepared accurately. |
| (h) | The balance of industrial debtors as at the end of the year under review was overstated by Rs. 351,952.                                                                                                                                                                           | Prices have been revised.                                             | Should be accounted correctly.                       |
| (i) | Although the balance of the Industrial creditors of the Local Development Support Project (LDSP) was Rs. 22,829,303, it was erroneously recorded as Rs. 39,149,021, resulting in an overstated of Rs. 16,319,718.                                                                 | A bill has been double-counted.                                       | Should be accounted correctly.                       |
| (j) | The Baler machine purchased in the year under review, valued at Rs. 1,583,000, was recorded as Rs. 15,830,000 in the current account, resulting in an overstated of the current balance in the Assets and Liabilities Statement by Rs. 14,247,000.                                | That will be corrected in the financial statements for the year 2025. | Should be accounted correctly.                       |
| (k) | Although there was no balance of Industrial Debt Local Development Support Project (LDSP) in the year under review, due to it being recorded as Rs. 34,963,382, the Industrial Debt LDSP balance and the Capital Expenditure Main Account balance were overstated by that amount. | That will be corrected in the financial statements for the year 2025. | Should be accounted correctly.                       |
| (l) | The expenditure of concreting the road through the village of Elikimbulawala, amounting to Rs. 1,341,686, was not included in the balance of bridges, culverts and roads.                                                                                                         | That will be corrected in the financial statements for the year 2025. | Should be accounted correctly.                       |

### 1.6.3 Unreconciled Control Accounts or Records

|     | Audit Observation                                                                                                                                                                                                                                                  | Comments of the Sabha                                    | Recommendation                                                             |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------------|
| (a) | When comparing the value of 16 account balances shown in the financial statements prepared as at 31 December of the year under review with the balances in the supporting documents relating to those account balances, there was a unreconcile of Rs. 67,750,665. | That the financial statements of 2025 will be corrected. | The accounting books should be reconciled and the correct values recorded. |

- (b) There was a discrepancy of Rs. 14,519,299 when comparing the values of 36 major expenditure heads shown in the LG 13 reports, which were used to prepare the financial statements as at 31<sup>st</sup> December of the year under review, with the values shown in the expenditure ledgers. That the financial statements of 2025 will be corrected. The accounting books should be reconciled and the correct values recorded.

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

| Audit Observation                                                                                                                                                                                                                                                                                                                                        | Comments of the Sabha                                          | Recommendation                       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------|
| The total amount of Rs. 313,066,970 which are shown in the financial statements for the year under review, including 06 asset balances, 02 income balances, 01 liability balance and 01 equity balance, could not be satisfactorily verified and surveillance due to non-submission of relevant documents, schedules and balance confirmation documents. | That the appropriate evidence will be presented in the future. | Relevant evidence must be submitted. |

### 1.7 Non- Compliances

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

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions etc as follows.

| Reference to Laws, Rules Regulations and Management Decisions etc.                                                 | Non-compliance                                                                                                                                       | Comments of the Sabha                    | Recommendation                                                               |
|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------------------------------------------|
| (a) Rules and Statutes Provisions                                                                                  |                                                                                                                                                      |                                          |                                                                              |
| Section 23 “A” of the National Environment Act No. 47 of 1980 as amended by Acts No. 56 of 1988 and No. 53 of 2000 | An environmental protection license had not been obtained from the Central Environmental Authority for the crematorium run by the Pradeshhiya Sabha. | That will working to obtain the license. | Urgent action should be taken to obtain an environmental protection license. |
| (b) Extraordinary Gazette with amendments made to the                                                              | Although 82 building applications were approved                                                                                                      | That they did not submit to obtain the   | Arrangements should be made                                                  |

Urban Development from 2018 to 2023, certificate of to issue Authority Act No. 1597/8 certificates of compliance compliance. certificates of dated 17th April 2009 were not issued for 81 compliance. applications.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

F.R. 1646 Running charts showing the use of fuel amounting to Rs. 5,818,417 for 17 vehicles of the Pradeshiya Sabha had not been submitted. That will proceed to present. Running charts must be submitted on the due date.

## 2. Financial Review

### 2.1 Financial Result

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 147,789 as compared with the excess of revenue over expenditure amounted to Rs. 9,519,834 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, the estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

| Source of Revenue |  | 2024              |                |                   | 2023              |                |                   | Total Arrears as at 31 December |
|-------------------|--|-------------------|----------------|-------------------|-------------------|----------------|-------------------|---------------------------------|
|                   |  | Estimated Revenue | Revenue billed | Revenue collected | Estimated Revenue | Revenue billed | Revenue collected |                                 |
|                   |  | Rs.               | Rs.            | Rs.               | Rs.               | Rs.            | Rs.               | Rs.                             |
| Rates and Taxes   |  | 2,173,022         | 2,393,534      | 1,782,482         | 2,384,424         | 2,716,269      | 340,674           | 1,133,992                       |
| Rent              |  | 9,820,310         | 7,735,040      | 7,591,561         | 2,308,253         | 34,495,000     | 2,566,250         | 3,176,820                       |
| License fees      |  | 1,353,050         | 316,900        | 241,150           | 214,750           | 885,000        | 1,716,790         | 752,590                         |
| Other Revenue     |  | 10,970,299        | 15,198,424     | 14,652,734        | 7,596,825         | 17,383,816     | 5,884,389         | 5,446,801                       |
| Total             |  | 24,316,681        | 25,643,898     | 24,267,927        | 12,504,252        | 55,480,085     | 10,508,103        | 9,639,951                       |

- There was a mathematical unadjustment in the 3 sources of revenue presented by the council above.

## 2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Council are given below.

|                            | <b>Audit Observation</b>                                                                                                                                                                                                                                                                                                                                | <b>Comments of the Sabha</b>                                       | <b>Recommendation</b>                               |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|-----------------------------------------------------|
| <b>(a) Rates and Taxes</b> |                                                                                                                                                                                                                                                                                                                                                         |                                                                    |                                                     |
| (i)                        | Although, in accordance with Section 20 of the Taxation and Valuation Ordinance No. 30 of 1946, assessable properties should be assessed and rates and tax levied every 5 years, due to the fact that assessments were not carried out on the basis of the 2004 rates, the period during which the assessment was not implemented on time was 15 years. | That a new assessment will be made.                                | Rates property must be assessed once every 5 years. |
| (ii)                       | The rates and tax revenue due as at the last day of the year under review was Rs. 398,584, of which Rs. 312,920 remained to be collected for the previous year.                                                                                                                                                                                         | That action will be taken to recover it.                           | Action should be taken to recover the due revenue.  |
| (iii)                      | The billed revenue from industrial and business taxes for the year under review was Rs. 1,740,520 and the revenue collected from billing during the year was Rs. 617,700, which was 35 percent lower. Out of the total arrears of Rs. 2,258,210 at the end of the year, Rs. 1,135,390 was arrears of revenue receivable in respect of previous years.   | That action will be taken to recover it.                           | Action should be taken to recover the due revenue.  |
| <b>(b) Rent</b>            |                                                                                                                                                                                                                                                                                                                                                         |                                                                    |                                                     |
| (i)                        | As of the last day of the year under review, Rs. 1,043,511 was outstanding from 59 shop vendors, of which Rs. 681,520 was outstanding from 11 shop vendors.                                                                                                                                                                                             | That action will be taken to recover it.                           | Action should be taken to recover the due revenue.  |
| <b>(c) Other Revenue</b>   |                                                                                                                                                                                                                                                                                                                                                         |                                                                    |                                                     |
|                            | The arrears of revenue due on vehicle rental as at the end of the year under review was Rs. 1,264,742, of which Rs. 1,002,242 had been accounted for as arrears of revenue receivable in respect of previous years, but no steps had been taken in the year under review to identify the party to whom the receivable.                                  | Efforts are being made to ensure the accuracy of the information.. | Action should be taken to recover the due revenue.  |



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

The court fines receivable from the Chief Secretary of the Provincial Council and other authorities as of December 31, 2024 were Rs. 32,577,554 and stamp duty was Rs. 5,224,080.

That efforts are being made to bring in revenue.

Action should be taken to bring in the due revenue.

**3. Operational Review**

**3.1 Performing of Functions Enacted 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 Recommendation Sabha**

Although by-laws can be enacted to fulfill 23 main matters under Section 126 of the Pradeshiya Sabha Act, by-laws had not been enacted for 10 main matters as at 31<sup>st</sup> December 2024.

That the necessary work can be done in the future.

Action should be taken to enact by-laws

**3.2 Management Inefficiencies**

**Audit Observation**

**Comments of the Recommendation Sabha**

(a) Although 10 years had passed since the Pradeshiya Sabha received the Tafe tractor owned by the council, it was still being operated without registration.

That will be take further action.

Action should be taken to register.

(b) The milege meter of the council's crew cab and tipper vehicle had been inactive for 3 years, but it continued to run without repair. In the year under review alone, Rs. 874,016 of fuel had been used for the two vehicles without control.

That a reasonable effort was made to repair.

The mileage meter needs to be repaired.

(c) Delays in repairing 03 vehicles of the Pradeshiya Sabha for a period of 10 months to 03 years and 07 months were observed and the relevant vehicles and machines had not been repaired and used for the functions and revenue generation of the Sabha.

That a reasonable effort has been made.

It should be repaired and put into use.

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|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|-----------------------------------------|
| (d) | Although the Procurement Committee had recommended on 27th of February 2022 to repair the backhoe loader owned by the Council at an estimated cost of Rs. 880,000, the General Assembly had decided to postpone the repair due to the prevailing situation in the country. As a result, as at 06 <sup>th</sup> of September 2022, the repair estimate had increased to Rs. 1,408,100, i.e. by Rs. 528,100, and the relevant repair had not been carried out by the end of the year under review. | There was difficulty in obtaining approval. | It should be repaired and put into use. |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|-----------------------------------------|

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

#### Audit Observation

#### Comments of the Recommendation Sabha

The Pradeshiya Sabha had 04 assets worth Rs. 22,621,118, of which 05 items including one item of unidentifiable value and one item of which the value was not identifiable, which remained idle without being utilized for various reasons.

That will be working to utilize it.

Action should be taken to utilize assets.

### 3.4 Assets Management

#### Audit Observation

#### Comments of the Recommendation Sabha

- (a) Steps had not been taken to transfer the ownership of 06 lands worth Rs. 71,850,000 possessing by the Pradeshiya Sabha to the Council.

That taking action to take over.

Action should be taken to take over.

- (b) **Physical vehicle damage**

On 16<sup>th</sup> April of the year under review, the left side window of the motor grader had completely shattered after hitting a tree branch and the incident was reported to the police after a delay of 03 days. As of the last day of the year under review, no steps had been taken to investigate the incident in accordance with Section 104 of the F.R, identify the culprits and recover the damages, and the responsible officers had not taken steps to recover the loss of Rs. 142,190 from the insurance company.

That it will be reimbursed by insurance.

That will conduct investigations in accordance with Financial Regulation 104 and take steps to promptly recover the loss.

### 3.5 Delays in Project Activities or Capital work

| Audit Observation                                                                                                                                                                                                                                                                                                                                                                                                      | Comments of the Recommendation Sabha                                                                                                        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| (a) Due to the fact that the estimates of various projects were prepared, approved and implemented by including the labor costs of those workers in a context where the labor costs of the workers who are reimbursed by the Local Government Department for projects implemented on direct labor were not reimbursed, provision money of Rs. 3,875,097 that could have been referred to other projects was left idle. | Savings have been made due to the implementation of direct labor. Non-reimbursable expenses should not be estimated.                        |
| (b) The project to construct 03 e-libraries implemented in 2021 under the Local Government Institutions Strengthening Program had resulted in the abandonment of the project for 02 libraries at a cost of Rs. 3,121,952.                                                                                                                                                                                              | Attempts were made on several occasions to use it for other purposes. The construction must be used for the purpose for which it was built. |
| (c) <b>Delays in Activities</b>                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                             |
| Under the Local Government Institutions Strengthening Program, 04 tasks were initiated in the previous years and Rs. 24,922,968 was spent for them and they should have been completed by 31st of December 2023, but those projects had not been completed by 31st December of the year under review.                                                                                                                  | That the agreements were cancelled by the Ministry. Action should be done to achieve performance targets.                                   |

### 3.6 Defects in Contract Administration

#### 3.6.1 Completion of the remaining works of the rural market building at the old market site in Diyabeduma

| Audit Observation                                                                                                                                                                                                                                                                                                                                                             | Comments of the Recommendation Sabha                                                                                                                                           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) Although payments should have been made after ensuring that the quality of the work performed was in accordance with the agreed specifications, terms and conditions as per the Government Procurement Guidelines, Rs. 821,018 had been paid uneconomically based on the certification made by the officers that the work that had not been completed had been completed. | That the unfinished work has been completed. Disciplinary action should be taken against officers who have certified that work has been completed but have not been completed. |

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|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| (b) | The approved value of 15 additional work items of the project was exceeded by Rs.58,689, the work included in item number 28 was exceeded by Rs. 151,360 through 13 additional work items, and the rate of 09 additional work items was exceeded by Rs. 34,930, which is overstated by Rs. 244,979.                     | That a revised bill was prepared and steps were taken to recover the overpayment. | Disciplinary action should be taken against officers who recommend excessive payments. |
| (c) | The initial cost estimate for this project is Rs. 15,859,465, of which Rs.3,500,742, or about 22 percent of the initial cost estimate, was included in the estimate for items not required for the project, thus making it impossible to achieve the price advantage that could have been achieved through competition. | No answer given.                                                                  | Estimates should be prepared accurately and in a way that allows for cost advantages.  |
| (d) | Approvals for contract variations worth Rs. 3,299,870, which was about 21 percent of the estimated value, had not been obtained and As Building Drawings had not been obtained with the final bills. Payments of Rs. 469,021 had been made without obtaining warranty certificates in respect of 10 items.              | Warranty certificates have now been obtained.                                     | As-Built Drawings should be obtained for all constructions along with the final bills. |

### 3.7 Human Resources Management

| Audit Observation                                                                                                                                                                                                                                                                                                                | Comments of the Sabha                                                                                                                                                    | Recommendation                                                                                                                 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| (a) There were 04 vacancies for the posts of Development Officer, 01 posts of Technology Officer, 01 post of Revenue Inspector, 01 post of Electrician, 03 posts of Field Worker and 01 post of Driver in the Pradeshiya Sabha, while there was a excesses of 04 posts for the posts of Crematorium Assistant and Health labour. | The Department of Local Government is informed quarterly and excesses workers are deployed based on the needs of the existing service in waste management.               | Approvals must be obtained to fill gaps and for excesses employees.                                                            |
| (b) Nine officers serving in various positions in the Pradeshiya Sabha were performing duties in other positions such as revenue inspector, driver and security guard, which were not related to their regular positions, for a period of 1 to 10 years.                                                                         | They have been deployed based on the needs of the existing services of the council and have been assigned to various duties to ensure the continuity of official duties. | They should be employed in regular positions and if employed in another service, they should be assigned duties appropriately. |

## 4. Accountability and Good Governance

### 4.1 Annual Action Plan

- |     |                                                                                                                                                                                     |                                                                                                                         |                                                       |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| (a) | Although the sabha had stated 08 activities in the annual action plan, only 02 of them were completed during the year under review.                                                 | It has been informed that these programs have been carried out according to the amount of funds available in the sabha. | Action should be done to achieve performance targets. |
| (b) | Although the Council had planned 15 workshops for human resource development in its annual action plan, only 03 workshops had been implemented by the end of the year under review. | It has been informed that these programs have been carried out according to the amount of funds available in the sabha. | Action should be done to achieve performance targets. |

### 4.2 Internal Audit

#### Audit Observation

Although an Internal Audit Officer should be appointed and a report should be submitted to the General Assembly at the end of every month in accordance with 1.3 of the North Central Local Government Commissioner's Circular No. 4/2015 dated 18th March 2015, no internal audit was conducted for the year under review and the appointed Internal Auditor had been assigned duties in 05 subjects in addition to audit duties.

#### Comments of the Recommendation Sabha

The council does not have sufficient staff to provide internal audit to an independent officer. Action should be taken according to the circular instructions.

### 4.3 Environmental Problems

#### Audit Observation

The biodegradable waste collected by the Pradeshiya Sabha is brought to the garbage yard of the Lankapura Pradeshiya Sabha, and for this, the Pradeshiya Sabha had to bear an expense of Rs. 14,300 per trip and Rs. 114,400 per month. Due to the waste being stored in the compactor vehicle for about 03 days, the vehicle was decomposing.

#### Comments of the Recommendation Sabha

It is stated that the shortcomings indicated were due to the lack of land required for waste management and that steps are being taken to obtain a piece of land. Methods should be used to dispose of waste in a way that minimizes costs.

#### 4.4 Sustainable Development Goals

| Audit Observation                                                                                                                                                                           | Comments of the Recommendation Sabha                                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Pradeshiya Sabha had not identified and implemented sustainable development objectives, programs and criteria as per the regulations of the Sustainable Development Act No. 19 of 2017. | Budget allocations have been allocated for the programs in the year 2025. Actions must be taken in accordance with the objectives and programs set out in the Act. |