

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Imaduwa Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of financial position as at 31 December 2023, Statement of Financial Operations, statement of changes in net assets, 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 Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and the provisions of the National Audit Act No 19 of 2018. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Imaduwa Pradeshiya Sabha as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 Principles 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comment of the Council	Recommendation
(a)	The value of furniture fixing and machinery was understated by Rs.309,650 and Rs.105,000 respectively.	Internal control system is in place to prevent further mistakes of this nature.	Expenditure items should be identified and properly accounted.
(b)	Rs.592,298 incurred for land and buildings was not capitalized	It has been corrected using journal entries.	Capitalized expenses should be capitalized.
(c)	The deposit amount of Rs.250,000 offset during the year under review was also not removed from the deposit account and the deposit was shown to be more than that amount.	Internal control system are in place to prevent further lapses of this nature.	Settled deposits should be accounted.

(d)	23 units of inventory with a total value of Rs.55,137 had been recorded under machinery and equipment, the fixed assets had been overstated.	Internal Control System is in place to prevent further lapses of this nature.	Inventory stocks should not be capitalized.
(e)	Machines and machinery purchased for the value of Rs.123,100 were accounted in the General Ledger as Rs.109,600.	It will be corrected using journal entries in 2024 final accounts.	Should be accounted properly.
(f)	The amount of Rs.2,207,102 received in excess for the year under review was not shown as a payable balance in the financial statements.	It will be corrected using journal entries by 2024 final accounts.	Should be accounted properly.

1.6.2 Non reconciled control account or records

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs.108,504 between the balances related to 03 accounting items shown in the financial statements and the balances shown in the related utility registers and schedules.	The relevant balance has arisen due to non-reconciliation between the relevant utility registers and the account.	Reconciliation should be made between the utility registers and the financial statements.

1.6.3 Lack of Documentary evidence for Audit

Audit Observation	Comment of the Council	Recommendation
Due to non-submission of required information for verification of 11 accounting items totaling to Rs.34,325,464 could not be satisfactorily verified during the audit.	Accurate schedules will be prepared and submitted	The evidences for confirming the account balance should be submitted

1.7 Non-compliances

1.7.1 Non-compliance with Laws, Rules, Regulation and Management Decisions

Reference to Laws, Rules, Regulation Decisions	Non – Compliance	Comment of the Council	Recommendation
Section 132 of the Pradeshiya Sabha Act No. 15 of 1987	Contravention of the provisions, Rs.138,597 had been paid from the Sabha fund as incentives to the secretary and two officers of the Sabha for collecting the stamp duty of Rs.5,286,615 due from the land registrar's offices in the outlying provinces.	Acknowledgment that payment has been made.	Action should be taken according to the Act.

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2023 amounted to Rs11,080,978 as compared with the recurrent expenditure over revenue amounting to Rs. 6,273,156 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Source of Revenue	2023				2022			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes }	5,385,000	6,262,385	6,508,920	1,812,169	2,920,600	4,131,840	4,314,319	2,058,704
Rent	5,268,000	3,509,356	3,509,356	-	4,411,000	1,889,800	1,889,800	-
License Fees }	2,336,000	1,109,245	1,127,245	82,100	927,200	1,434,171	1,448,671	100,100
Other revenue }	41,616,500	7,459,843	7,517,041	242,232	6,847,700	6,305,641	6,313,776	299,430
	=====	=====	=====	=====	=====	=====	=====	=====
	54,605,500	18,340,829	18,662,562	2,136,501	15,106,500	13,761,452	13,966,566	2,458,234
	=====	=====	=====	=====	=====	=====	=====	=====

2.2.2 Performance in Revenue Collection

Audit Observation	Comment of the Council	Recommendation
(a) The total outstanding income was Rs.2,458,234 as at 01 January of the year under review, and an outstanding balance of Rs.2,136,501 remained to be collected at the end of the year under review.	Acceptance the audit observations.	Arrangements should be made to recover the arrears of income.
(b) There were 49 Grama Niladhari divisions under the area of authority of the Sabha, and the Sabha had arranged to collect assessment tax only in relation to 02 divisions.	The necessary arrangements are being taken to collect the assessments.	New assessment areas should be identified and measures should be taken to collect assessment tax.
(c) Rs.923,541 were to be charged from 150 properties where any assessment tax has not been paid for the year 2023.	The action will be taken to recover the deficit according to the action plan.	Assessment tax should be recovered.
(d) An income of Rs.1,513,680 was not collected from 68 hoardings within the Sabha area.	The relevant persons have been informed by letters.	Charges should be recovered.
(e) The stamp fees that should have been received from the Chief Secretary of the Provincial Council and other authorities was Rs.13,169,514.	The court fine and stamp fees due on 13.05.2024 has been received by the Imaduwa Sabha.	Court fines and stamp fees should be collected on due date.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Council	Recommendation
(a) An income of Rs.400,500 had been lost due to running business activities without obtaining those licenses, from 89 industries that should obtain	Acceptance the audit observations.	Environmental protection licenses should be obtained as required.

environmental protection licenses and the Sabha had not taken action to recover them.

- | | | |
|---|--|--|
| (b) Parts of tractor 49 – 0342 valued at Rs.100,000 and scrap of trailer whose registration number and cost cannot be identified were piled up in the sub-office area for 10 years. | As it has been referred to the recommendations of the Department of Motor Vehicles, it will be acted upon once the recommendations are made. | The action should be taken for Waste materials as per the circular manner. |
|---|--|--|

3.2 Operational Inefficiencies

Audit Observation	Comment of the Council	Recommendation
There was no arrangement to charge Rs.502,050 for 334.7 square meters and Rs.2,500,000 for 10 parking spaces, which were built without approval related to a development permit.	that resort to legal action.	Action should be taken according to the gazette.

3.3 Assets Management

Audit Observation	Comment of the Council	Recommendation
(a) the cost of Rs.7,967,144 The photon Metal Roller given to the Sabha in the year 2015, remained idle for a period of 02 years.	It is difficult to operate the lever.	Assets should be utilized
(b) The tractor valued at Rs.2,655,318 which was given to the Sabha in the year 2014 remained idle from the year 2019.	The Local Government Commissioner has been requested to exchange this vehicle with another vehicle.	Assets should be used effectively.

3.4 Deficiencies in contract administration

Audit Observation	Comment of the Council	Recommendation
(a) 260 square meters shopping complex that was built 17 years ago at a cost of Rs.9,605,882 in the center of Imaduwa city was not to be able to use it for an effective economic purpose.	That is designed to be used for productive economic activities.	The Shopping Complex should be used for productive economic activities.
(b) Although the roads were concreted covering 640 square meters in relation to 05 roads with the Sabha funds in the year 2022 / 2023 and Rs.119,970 was informally paid for 23 machine hours without getting confirmation about the amount of work done.	Although the estimated number of meter hours for these 04 roads is 34 hours, payment has been made for only 23 hours of work done according to the nature of the work	The fixed rates should be used to make payments according to the physical quantity of work done.
(c) Rs.26,048 ahad been paid for cutting the canal under work item No. 02, in the Work of developing Pitawan Canal from Horadugoda Makiliye to Kodagoda Taramulla and Rs.442,959 was also paid in excess during the preparation of the dam of the canal using the soil cut under work item No. 03.	The overpayment amount will be recovered.	Appropriate rates should be used.

3.5 Human Resource Management

Audit Observation	Comment of the Council	Recommendation
There was a debt balance of Rs.182,510 due from three employees who had served in the Sabha and retired.	They have not been able to recover because they are not entitled to pension	Action should be done to recover the employee loan.