

Badulla Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Badulla Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, Statement of Changes in equity, Consolidation Cash Flow Statement 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 Badulla Pradeshiya Sabha as at 31 December 2024, and of its financial performance for the year then ended in accordance with generally accepted accounting practices.

1.2 Basis for Qualified Opinion

I expressed qualified opinion regarding financial statement 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 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 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 Accounting deficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	As at 31 st December of the year under review, accounted in overstate the value of lands and buildings was Rs. 1,263,270 and the value of library books was Rs. 48,435 .	Advised to make corrections when preparing the 2025 account.	The accounts must be corrected.
(b)	The interest amounting to Rs. 497,206 received on fixed deposits during the year under review had not been identified and accounted for.	That the deposited amount will be identified and corrected.	-Do-
(c)	As at 31 st December of the year under review, the capital expenditure contribution account had been under-accounted by Rs. 114,699.	Instructions were given to correct the 2025 account when preparing it.	-Do-
(d)	The debit balance of Rs. 29,028 in the suspense account as at 31 st December of the year under review had not been identified and settled.	That the debit balance in the Suspense account is identified and corrected.	Suspense account balances should be identified and resolved.
(e)	The discounts given for assessment tax in the year under review amounting to Rs. 76,682 had not been correctly accounted for.	Instructions were given to correct the 2025 account when preparing it.	The accounts must be corrected.
(f)	Non-current assets during the year under review Rs.5,143,755 had not been capitalized.	-Do-	-Do-

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
Assessments and taxes as per total income from assessments and taxes, rents, license fees and other income as per the income statement certified by the Council Secretary was Rs. 29,356,975, the total income from the above was Rs. 38,788,407 as per the financial statement for the year ended 31st December of the year under review.	Although the That steps will be taken to correct this when preparing the accounts for the year 2025.	The accounts must be corrected.

1.7 Non- Compliances

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

Non-compliance with laws, rules, regulations and management decisions as follows.

	Rules, referring to rules, regulations, etc.	Non-compliance	The council's comments	Recommendation
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Internal audit reports had not been submitted to the Auditor General for over 05 years.	Action will be taken to submit it to the Auditor General.	Internal audit reports must be submitted to the Auditor General in accordance with financial regulations.
	134(3)			
(b)	Uva Provincial Financial Regulations According to rules 103,104	A shortage of 176 units of various types of Sloan pipes and equipment stored in the Council Office's warehouse had not been addressed.	That in the future, action will be taken in accordance with Rules 103 and 104 regarding deficiencies.	Deficiencies should be dealt with according to financial rules.

2. Financial review

2.1 Financial results

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. 8,387,420 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 3,167,874 in the preceding year.

2.2 Revenue Administration

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

The information on estimated income, billed income, collected income and arrears of income submitted by the Council Secretary for the year under review and the previous year is shown below.

		<u>2024</u>				<u>2023</u>			
	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	963,704	1,000,399	650,710	629,766	963,704	996,468	883,562	474,838
(ii)	Rent	7,540,000	3,269,325	8,385,996	291,554	6,300,000	2,569,265	3,171,916	195,720
(iii)	License fees	910,000	-	945,201	-	910,000	-	781,050	-
(iv)	Other Revenue	36,390,000	25,087,251	5,885,901	38,582,537	65,531,860	30,303,142	5,660,916	21,189,028
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	Total	45,803,704	29,356,975	15,867,808	39,503,857	73,705,564	33,868,875	10,497,444	21,859,586
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2.2.2 Performance in Revenue Collection

The following are observations regarding the revenue collection performance of the council.

	Audit Observation	Comments of the Council	Recommendation
(a)	Rates and Taxes		
(i)	Rs. 221,480 from 81 assessment units that were in arrears for a period of 05 years had not been recovered in the year under review.	That steps will be taken to settle the when preparing the accounts for the year 2025.	Arrears of assessed revenue must be recovered.
(ii)	Although the income should be increased by assessing the rents once every 5 years, the assessments had been collected based on the assessed value of the year 2012, and as at 31 st December of the year under review, assessments of Rs. 629,411 had not been collected from 835 units.	Despite requests for the assessment being made over the years, the task has not been completed, and necessary arrangements have been made to conduct a new assessment from 2 nd June 2025.	Rent assessments should be carried out on a timely basis.

(b) **Arrears in garbage taxes**

Garbage tax units 09 Arrears of garbage tax of Rs. 1,782,400 had not been recovered in the year under review.	That the necessary instructions were given to the subject officer to recover the arrears.	Arrears of income must be recovered promptly.
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2.2.3 Court fines and stamp duty

Audit Observation	Comments of the Council	Recommendation
The court fines of Rs. 8,003,168 and stamp duty of Rs. 9,852,096 that were due to be received from the Chief Secretary of the Provincial Council and other authorities as of December 31st of the year under review had not been collected.	Although demand letters were sent in the year under review, no money was received, and in the first quarter of 2025, a total of Rs. 14,152,881 in court fines and Rs. 9,248,864 in stamp duty were received.	Arrears of court fines and stamp duties should be collected.

3. Operational review

3.1. Performing the 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 Council	Recommendation
Water projects implemented in the council area 232 water consumers consume water from 04 water project, and up to December 31 of the year under review, water samples from water sources had not been tested to determine whether they were suitable for drinking water.	Public participation in water sampling activities at water sources implemented by the council Health inspectors have been informed.,That work will be carried out promptly in the future.	Clean drinking water must be provided for the health of the public.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
From May 2018 to December 31, 2024, 21 employees had to pay Rs. 810,442 in contributions to the Employees' Trust Fund Board, including a surcharge of Rs. 283,300.	The outstanding amount and surcharge have been paid and action will be taken as per the instructions of the Local Government Commissioner regarding the recovery of the surcharge.	Employee trust funds must be paid on time and the surcharge payment should be recovered from the relevant responsible parties.

3.3 Assets Management

Audit Observation	Comments of the Council	Recommendation
According to the Board of survey report for the year under review, there was a shortage of 221 units of various types of equipment, including 01 View Sonic Projector, 01 Embossing Scissors, and 175 G.I. Pipes, which were documented in the Pradeshiya Sabha office.	It is expected that an internal investigation committee will be appointed regarding the equipment that shows deficiencies as per the survey recommendations and relevant action will be taken.	Committees of Inquiry Decisions must be acted upon.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
Estimated income and expenditure according to the budget prepared by the Pradeshiya Sabha for the year under review, When compared with the actual income and expenditure of the year, there were variations ranging from 28 percent to 43 percent in 03 revenue items and from 21 percent to 91 percent in 05 expenditure items. Accordingly, the budget document had not been used as an effective control instrument.	It is expected to minimize the existing variation in the year 2025.	Variations should be minimized.

4.2 Environmental Problems

Audit Observation	Comments of the Council	Recommendation
Although Section 9 of the Pradeshiya Sabha Act No. 15 of 1987 requires that garbage and waste should not be disposed of in a manner that causes nuisance, the garbage collected daily from the Pradeshiya Sabha area had been disposed of irregularly on land belonging to the Pradeshiya Sabha. A building with 05 rooms for compost production was constructed at a cost of Rs. 2,150,000 to enclose the land where garbage is disposed of with a barbed wire fence, and a building worth Rs. 1,470,000 from the council funds in the year 2020, and a building worth Rs. 4,863,715 for garbage segregation in the year under review, and although about 1100 metric tons of garbage were collected annually, garbage management had not been carried out properly.	A systematic program will be developed in the future to collect and process biodegradable waste into compost.	Garbage should be disposed of properly.