Habaraduwa Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Habaraduwa Pradeshiya Sabha including the financial statements 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 net assets, Cash Flow Statement for the year then ended and nots 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 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 Habaraduwa 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 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 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 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	Comment of the Sabha	Recommendation
(a)	Since 53 units of consumables with a cost of Rs. 278,591 had been capitalized as machinery and equipment, the value of machinery and equipment had been overstated by that amount.	Corrections will be made when preparing the final accounts for 2025.	The value of the 53 inventory units should be removed from the value of the machinery.
(b)	The value of solar panels valued at Rs.4 million had not been accounted for under machinery and equipment.	Corrections will be made when preparing the final accounts for 2025.	Should be accounted correctly .
(c)	The expenditure of Rs. 6.37 million, which should have been accounted as capital expenditure of the Sabha, had been accounted as recurrent expenditure.	Corrections will be made when preparing next year accounts	Should be properly identified and accounted separately.
(d)	Expenses were overstated by Rs.147,818 due to the debit of Rs.147,818 to the salary and allowances account for unpaid leave of a Sabha employee.	Corrections will be made when preparing next year accounts	In the year 2025, this amount of Rs. 147,818 should be credited to the Accumulated Fund and debited to the Salary payable Account.
(e)	The value of furniture and equipment was understated because the value of 02 file lockers value at Rs. 123,000 was not accounted as furniture and equipment.	Corrections will be made when preparing next year accounts	The relevant items amounting to Rs. 123,000 should be accounted under Furniture and Equipment.
(f)	The value of land and buildings was understated as the capital expenditure	Corrections will be made when preparing	The capital expenditure of Rs. 4.36 million should be

	of Rs. 4.36 million incurred for the construction of the parking unit within the weekly fair premises was not capitalized under land and buildings.	next year accounts	capitalized under land and buildings.
(g)	The 10 percent retention money, totaling Rs. 721,724, payable for 08 industries carried out during the year under review, had not been accounted as creditors.	Corrections will be made when preparing next year accounts	Retaintion money should be accounted as creditors.

1.6.2 Unreconciled Control Accounts

Audit Observation	Comment of the Sabha	Recommendation
A difference of Rs. 15.39 million was observed between the balances relating to 09 accounting items shown in the financial statements and the balances shown in the relevant utility schedules as at 31 December of the year under review.	Corrections will be made when preparing next year's accounts	The reasons for the difference should be identified and corrected.

1.6.3 Documentary evidence not made available for Audit

Audit Observation	Comment of the Sabha	Recommendation
Due to the failure to submit the fixed asset register and detailed schedules, 09 accounting items totaling Rs. 41.41 million could not be satisfactorily examined during the audit.	Information is being sought and action are being taken to write off certain balances and pay certain balances to the relevant parties.	Evidence should be submitted to the audit to verify the balances related to the relevant accounting items.

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 are shown below.

Reference to Laws, Rules Regulations etc.		Non-compliance	Comments of the Council	Recommendation
(a)	Financial Regulations of the Democratic Socialist	Advances of Rs. 163,073 received by 06 officers on 10 times between the years 2012 and 2015 had not	Letters have been sent to the officers receiving advances.	Appropriate action should be taken against officers who have not settled

	Republic of Sri Lanka, Section 371 (c)	been settled.		advances in accordance with financial regulations.
(b)	Section (iv) of Public Administration Circular No. 09/2009 dated 16 April 2009	28 officers were paid Rs.244,612 for 1805 hours of overtime without confirming their attendance and departure through the fingerprint machine.	In the future, payments will be made using fingerprint time.	Appropriate action should be taken against officials who made payments without complying with the provisions of the circular.
(c)	Paragraph 05 of the Circular No. 2010/01 dated 27 December 2010 of the Commissioner of Local Government, Southern Province.	Agreements had not been signed for 23 shops belonging to the Sabha after 2021.	The problematic situation has been discussed and agreements have been reached.	Officials should be held accountable for violating the provisions of the circular.

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 2024 amounted to Rs. 49.23 million as compared with the excess of recurrent expenditure over revenue amounting to Rs. 39.97 million in the preceding year.

2.2 Revenue Administration

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

		2024				2023			
	Source of Revenue	**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.
(i)	Rates and Taxes	18,931,000	41,194,611	26,689,088	45,754,932	19,025,000	18,919,067	19,673,584	31,249,409
(ii)	Rent	9,055,000	9,194,031	12,149,228	2,086,128	5,873,000	2,593,077	1,631,732	5,041,325
(iii)	License Fees	11,401,000	21,254,703	21,255,203	29,900	10,000,000	9,489,752	9,516,052	30,400
(iv)	Other revenue	198,496,450	29,878,852	19,506,171	54,864,828	19,415,000	30,882,385	30,882,385	44,492,147
		237,883,450	101,522,197	79,599,690	102,735,788	54,313,000	61,884,281	61,703,753	80,813,281

According to the information submitted by the Secretary, the estimated revenue, billed revenue, collected revenue and outstanding revenue for the year under review and the previous year are shown below.

2.2.2 Performance in Revenue Collection

Observations related to performance in revenue collection of the Sabha are given below.

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Due to non-collection of outstanding shop rents in terms of Section 159 (i) of the Pradeshiya Sabha Act No. 15 of 1987, a deficit of Rs. 2.09 million existed as at the end of the year under review.	There is still a shortfall of Rs. 943,300.	A program should be developed promptly to recover outstanding balances without delay and outstanding balances should be recovered accordingly.
(b)	The amount of Rs. 943,300 for 12 shops in the general trading complex belonging to the Ahangama Sub-Office, which was leased in 2022, had not been collected key money as at 31 December, 2024.	The shop owners were informed about this.	Appropriate action should be taken against the responsible officials for not collecting the key money as per the schedule and the key money should be collected.
(c)	Rs.735,500 in court fines and Rs.51.89 million in stamp duty should have been received from the Chief Secretary of the Provincial Council and other authorities.	There is a hypothetical balance of Rs. 300,000 to be collected from court fines, and there is a hypothetical balance of Rs. 500,000 from stamp duties, and action will be taken in the future to deduct Rs.11,000 from stamp duties.	Action should be taken to identify and recover balances that are actually due.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)	The elevator installed in the Sabha building at a cost of Rs. 4 million in 2020 was not in working condition after 2023.	Estimates have been called for repairs, but prices have not been submitted yet.	Whether this building needs an elevator should be reconsidered and the elevator should be repaired or removed from use.

(b)	Jovi Children's Park, which had generated an average income of Rs.3.2 million in 2018 and 2019, was a very attractive place for local and foreign tourists. the Sabha had lost income due to the lack of proper maintenance work and remained idle After year 2020.	It has been severely damaged due to not being used during the COVID-19 pandemic, and will be used to generate income by making it usable.	It should be made usable and used for income generation.

3.2 Operational Inefficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Rs. 2.63 million had been spent on disposing of the non-biodegradable waste collected in the Sabha area during the year under review at the Monroviawatte garbage dump. Rs.10.54 million had been spent on fuel for the tractors used for waste management and Rs.23 million had been spent on salaries and allowances of the employees employed there and the Sabha had not taken action to generate income by recycling this waste.	The waste recycling project has been planned and submitted to the Local Government Commissioner.	The waste recycling project should be initiated promptly and action should be made to properly dispose of waste in the area.
(b)	The biogas unit, which was established in 2020 at a cost of Rs.5.85 million, was intended to produce 100 cubic meters of biogas per day within 6 months of its commissioning and to install a system so that the biogas generated could be used in the incinerator, but these objectives had not been achieved by the end of the year under review.	There is no method to measure the amount of biogas produced and the amount of gas used has decreased after the installation of this unit.	Actio should be taken to establish and produce biogas units to achieve the desired objectives as soon as possible.

3.3 Human Resources Management

	Audit Observation	Comment of the Sabha	Recommendation
(a)	An amount of Rs.1.82 million, which was due to be collected from the employees' loans given to 14 retired and departed employees of the Sabha since 2015, remained outstanding as at 31 December of the year under review.	Will be notified through letters and action will be taken to recover the amount promptly.	Action should be taken to recover employee loan promptly.

(b)	It was observed that 04 officers were engaged in the service of the Sabha between the years 2009 and 2018, exceeding the service period of 05 years, contrary to the provisions of Public Administration Circular No. 18/2001 dated 22 August 2001.	Transfers have been requested and 03 officers have not received transfers.	Officers who have served in the Sabha for more than 05 years should be transferred in accordance with the transfer policies.