Imaduwa Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Adverse Opinion

The audit of the financial statements of the Imaduwa 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 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 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, because of the significance of the matters described in paragraph 1.6 of this report, the financial statements do not give a true and fair view of the financial position of the Imaduwa Pradeshiya Sabha as at 31 December 2024 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Adverse Opinion

I expressed Adverse of 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 adverse 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

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 regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)	The surplus for the year was overstated by that amount due to the fact that the stamp duty income of Rs.10.76 million relating to previous years was recorded as income for the year under review.	Will be corrected in the future.	The correct period must be identified and accounted.
(b)	The value of fixed assets received as donations to the Sabha during the year under review, totalling Rs.3.49 million, was credited to the Contribution to Capital Application by Grants Account, but was credited to the Contribution to Capital Application by Revenue Account.	Corrections will be made using journal entries in the future.	Accounts should be identified and accounting must be carried out correctly.
(c)	The surplus for the year was understated by the amount due to the non-accounting of the receivables of advertisement board fees, fixed deposit interest and rental income, which amounted to Rs.951,165 for the year under review.	Deficiency has occurred and will be corrected in the future.	Unaccounted income relating to the year under review should be accounted.
(d)	Due to the under-accounting of stamp duty income of Rs.13.22 million relating to previous years, the balance of the Accumulated Fund Account was understated by that amount at the end of the year under review.	Accounting errors are corrected through journal entries.	Accurate accounting should be performed to avoid accounting errors.
(e)	The total value of the industrial creditors, which amounted to Rs.2.65 million, was recorded twice, resulting in the industrial creditors balance being overstated by that amount as at the end of the year under review.	Accounting errors are corrected through journal entries.	Accurate accounting should be performed to avoid accounting errors.

(f)	As the amount of assistance receivable for industries amounting to Rs.2.65 million was not accounted for in the year under review, the current assets were under stated by that amount.	Accounting errors are corrected through journal entries.	Accurate accounting should be done.
(g)	Although there was no balance receivable for the industries related to the previous year, current assets were overstated by the amount of Rs.11.15 million included in the Industry Assistance Account Receivable.	Accounting errors are corrected through journal entries.	Accounting should be done correctly.
(h)	The excess amount of Rs.340,289 received from the Local Government Department for salary expenses had not been accounted under current liabilities in the year under review.	Will be corrected in the future.	Accounting should be done correctly.

1.6.2 Documentary evidence not made available for Audit

Audit Observation	Comment of the Sabha	Recommendation
Due to the non-submission of detailed schedules, the balances of 05 accounting items totaling Rs.210,845 could not be satisfactorily examined.	The outstanding balances for more than 10 years have been referred to the Governor for write-off and that they will be corrected once the decision is made.	Relevant evidence should be submitted to the audit to verify the balances related to the accounting items.

1.7 Non-compliances

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

Non-compliance with laws, rules, regulations and management decisions are shown below.

	Reference to Laws, Rules, Regulation	Non – Compliance	Comment of the Sabha	Recommendation
(a)	Section 4.1 of Chapter XIV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka	While 41 officers who participated in the training programs were provided with food and accommodation, a combined allowance of Rs.135,650 was paid.	From 2025, the combined allowance will not be paid in cases where food and accommodation facilities are provided by the institutions conducting training.	Action should be taken in accordance with the Establishments Code, and action should be taken to recover allowances paid in violation of it.

(b)	Paragraph 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016	Without conducting a fuel combustion test of 05 vehicles owned by the Sabha and calculating the amount of fuel burned, 1346 liters of fuel valued at Rs.524,323 had been issued up to 31 December 2024.	That fuel testing has been carried out on 03 vehicles and that fuel has not been issued for the other 02 vehicles.	Fuel checks should be carried out on Sabha owned vehicles as per the circular.

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 31December 2024 amounted to Rs.4.61 millionas against with the excess of recurrent expenditure over revenue amounting to Rs.11.08 million in the preceding year.

2.2 **Revenue Administration**

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

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

		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 andTax	5,385,000	4,112,605	4,799,404	1,125,370	5,385,000	6,262,385	6,508,920	1,812,169
(ii)	Rent	3,870,400	2,694,480	2,694,480	-	5,268,000	3,509,356	3,509,356	-
(iii)	License Fees	1,310,000	1,195,416	1,195,416	82,100	2,336,000	1,109,245	1,127,245	82,100
(iv)	Other Income	17,737,000	10,347,414	10,500,313	89,333	16,616,500	7,459,843	7,517,041	242,232
		28,302,400	18,349,915	19,189,613	1,296,803	29,605,500	18,340,829	18,662,562	2,136,501

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
	Rates and Taxes		
(i)	The rates and tax deficit as at 01 January of the year under review was Rs.1.81 million, and there was a deficit of Rs.1.12 million at the end of the year. Of this, Rs.424,150 was business tax and industrial tax relating to the previous year.	The outstanding amounts will be collected through mobile services and legal action in the future, and the closure of business establishments has been approved for removal from the register.	A program should be developed promptly to recover outstanding balances without delay and outstanding balances should be recovered accordingly.
(ii)	Industrial Tax and Business Tax billings for the year under review were Rs.1.88 million, but only Rs.1.65 million was collected during the year, resulting in a deficit of Rs.228,190 for the year ended 31 December 2024.	The outstanding balance will be recovered through mobile service and legal action in the future.	The relevant income for the year under review should be collected promptly.

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	Comment of the Sabha	Recommendation
06 work proposals estimated at Rs.28 million in the capital plan included in the approved budget for the year under review had not been completed.	This will be done next year due to the priority given to essential development activities and the inadequacy of the allocations.	Provisions should be allocated and implemented considering the priority of the tasks expected to be accomplished based on the provisions received during the year.

3.2 Assets Management

	Audit Observation	Comment of the Sabha	Recommendation
(a)	The stone roller, which was assigned to the Sabha by the Ministry of Local Government and Provincial Council in 2015 at a cost of Rs.7.97 million, had not been in operation for more than three years, and although repairs were	It is not being used as there is no need for development activities and there are no requests from external parties.	If there is no need, it should be transferred to another local government institution or arrangements should be made.

	carried out during the year under review at a cost of Rs.137,500, it still remained idle as at 31 December of the year under review.		
(b)	The tractor, which cost Rs.2.65 million, had been unused and idle since the day it was received by the Sabha.	This vehicle is lighter than other tractors and is therefore not used due to the risk of overturning.	Should be exchanged or arranged with another local government institute as appropriate.
(c)	Although the Sabha is required to administer all property owned by the Sabha in terms of Section 17(3) of the Pradeshiya Sabha Act No. 15 of 1987, action had not been taken to secure the security of 10 lands owned by the Sabha worth Rs.4.28 million by fencing them and acquiring the title of 10 lands worth Rs.851,142.	The fencing has been underway since 2024 and action is also being done to settle ownership.	Action should be taken to take ownership of the lands owned by the Sabha and protect them by fencing them off.