Ibbagamuwa Pradeshiya Sabha - 2024
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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ibbagamuwa Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, 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 Ibbagamuwa 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)	Fixed deposit interest receivable was less accounted for by Rs.169,022.	Action have been taken to correct it in 2025.	Accounts must be prepared correctly.
(b)	Land and building 7 units value Rs.1,650,000 included in the fixed assets register had not been accounted for, and another 11 land and building units had not been accounted for due to non-valuation even in the year under review.	Action have been taken to correct it in 2025.	Accounts must be prepared accurately and all assets owned by the council must be included in the accounts.
(c)	04 assets worth Rs.277,300 purchased on 31st December 2024 had not been accounted for under fixed assets.	Action have been taken to correct it in 2025.	Accounts must be prepared correctly.
(d)	The value of the gas stock of Rs.181,774 held in the crematorium as of December 31, 2024 had not been accounted for, and according to the warehouse ledger, the value of 41 stock items had been over-accounted for by Rs.485,082.	Action have been taken to correct it in 2025.	Accounts must be prepared correctly.
(e)	Public wells and public lands worth Rs.2,372,497 owned by the council had not been accounted for.	Action have been taken to correct it in 2025.	Accounts must be prepared correctly.
(f)	Rs.500,000, which had been paid in 2018 for the road concreting project, had been shown under creditors in the year under review.	Action have been taken to correct it in 2025.	Accounts must be prepared correctly.
(g)	Although Rs.495,000 had been paid in 2017 for the concreting of roads, the industries were accounted for as creditors and debtors	Action have been taken to correct it in 2025.	Accounts must be prepared correctly.

	in the statement of financial position for the current year.		
(h)	An amount of Rs.2,600,000 had been recorded as creditors without a contract being signed for the repair or purchase of the air conditioning system at the Ibbagamuwa town Hall	Action have been taken to correct it in 2025.	Accounts must be prepared correctly.
(i)	Capital aid receivable of Rs.8,147,785 was omission from the accounts during the year under review.	Action have been taken to correct it in 2025.	Accounts must be prepared correctly.
(j)	Although Rs.490,437 was allocated for road development in 2019 and payments were made in the same year, the balance of industrial creditors and debtors in the statement of financial position for the current year was over stated to be by that amount.	Action have been taken to correct it in 2025.	Accounts must be prepared correctly.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
Due to non-submission of documentary schedules, 02 accounting items amounting to Rs. 313,570 could not be satisfactorily observed during the audit.	The balance existing from previous years. It will be correct.	Accounts verification schedules must be submitted.

1.7 Non- Compliance

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

All observations related to non-compliances with Laws, Rules, Regulations and Management decisions are show below.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i)	F.R. 571 (2)	Action had not been taken in accordance with the financial regulations regarding mixed	That will be correct it in the future.	Financial regulations must be followed.

		deposits, contract deposits, tender deposits, shops deposits and water deposits exceeding a period of 02 years, with a total value of Rs. 1,512,085.		
(ii)	F.R. 1645	Although the Officer in Charge of Vehicles was required to submit the monthly daily Running Charts to the Auditor General through his Head of Department before the 15th day of the following month, the Council had not submitted the Running Charts on the due date.	The drivers have been informed and arrangements will be made to submit reports as scheduled.	Financial regulations must be followed.
(b)	Letter dated 05/01/119 and 26 February 1992 from the Director General of the Urban Development Authority	The Council had paid Rs. 100,000 as allowances for participation in planning committees held during office hours during the first 6 months of the year 2024 and Rs. 70,000 as allowances for participation in planning committees while on official and personal leave during the first 10 months.	Arrangements will be made to hold the Planning Committee meetings after office hours.	The instructions on holding planning committees should be followed in accordance with the letter.

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. 65,363,846 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 57,238,181 in the preceding year.

2.2 Revenue Administration

2.2.2 Performance in Revenue Collection

	Audit Observation	Comments of the Council	Recommendation
(a)	**Rates and Taxes**		
(i)	Although the assessed property should be assessed once every 5 years and assessment fees should be charged accordingly, the Pradeshiya Sabha had charged assessment fees	A new assessment valuation has been implemented for the year 2023. Action will be taken to collect the reports once they are received.	An assessment should be carried out every 5 years and assessment tax should be levied accordingly.

	based on the assessment of the year 2012.		
(ii)	Assessments had not been levied for buildings that had newly obtained certificate of conformity within the assessment zone.	Action will be taken to collect the arrears after receiving the assessment reports for the year 2023.	When the value of assessed property increases, a new assessment must be obtained and assessed taxes levied.
(b)	**Rent**		
	The council also lost the minimum bid amount of Rs. 146,821 that it should have received due to no one coming forward to rent 28 assets in 2024.	Although bids were called for on four times for assets that were not tendered in 2024, tenders could not be made due to the lack of applicants.	Ways to generate income from council properties should be explored and action taken accordingly.
(c)	**License Fees**		
	According to the 2024 survey, Rs. 176,500 was due from 353 three-wheelers for which licenses were required.	That action will be taken to collect fees quickly in the future.	Action should be taken to increase revenue by formulating by-laws.

3. Operational Review

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 3of the Pradeshiya Sabha Act are shown below.

3.1 Performing the functions assigned by the Act

Audit Observation	Comments of the Council	Recommendation
Although a capital expenditure of Rs. 5,759,508 and a recurrent expenditure of Rs. 31,423,142 were incurred for the construction of a compost yard for solid waste management and garbage collection during the year under review, the compost production process had not been carried out as of December 31, 2024.	It is planned to be implemented in 2025.	Efforts should be made to streamline waste management, create a healthy environment for the people, and increase compost production to generate income.

3.2 Management Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	A case and its appeal had been concluded unfavourably to the council due to the council not having the deed and necessary documents for the public land belonging to the council.	Once the surveyor who measured the land parcels adjacent to the land parcel relevant to case 148/21/CA has identified and informed the council, the necessary legal steps will be taken to protect the land from the parties currently occupying it.	Action should be taken to ensure the security of lands.
(b)	As at 29th November 2024, 49 out of 70 purchased pipes had been issued. During physical inspection, only 09 pipes were available and there was a shortage of 12 pipes.	It is hoped that a re-investigation into this matter will be conducted and a report will be submitted soon.	Investigations should be conducted, those responsible identified, and action taken to recover the losses.
(c)	Although it was planned to allocate a financial provision of Rs. 1,500,000 as toilet aid in the year 2024 to provide facilities to 650 low-income households without toilet facilities, this project had not been implemented.	Bids have been invited for the purchase of toilet equipment, and plan to distribute the aid in the future.	Efforts should be made to utilize the budget allocations for projects in a manner that achieves the objectives.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
The rent of the Pradeshiya Sabha Town Hall had been gazetted as Rs. 30,000 per day without air conditioning and Rs. 60,000 per day with air conditioning, and the demand for the Town Hall had decreased due to the malfunctioning of the sound system, lighting system and air conditioning system in the Town Hall. Action had not been taken to repair them and increase the rental income of the Town Hall.	In 2025, those deficiencies will be rectified and efforts will be made to increase revenue.	Efforts should be made to increase revenue by improving the facilities at the town hall.

3.4 Idle underutilized assets

	Audit Observation	Comments of the Council	Recommendation
(a)	According to the water sample test report conducted by the National Water Supply and Drainage Board in relation to the Hiripitiya Water Project, the water was recommended to not suitable for consumption.	Action will be taken to install the water filter using sabha fund.	A formal feasibility study should be conducted before starting a project.
(b)	Although Rs. 3,207,637 had been spent on the development of the Ibbagamuwa Weekly fair by improving water supply, electricity supply, access roads and repairing the roof, no steps had been taken to commence the weekly fair activities.	The Honorable Chairman of the Ibbagamuwa Regional Coordinating Committee has instructed to temporarily suspend the holding of the New weekly Fair.	Efforts should be made to generate income from council properties.

3.5 Procurement

Audit Observation	Comments of the Council	Recommendation
The purchase of drain cubes worth Rs. 416,250 was made without a recommendation from the Technical Evaluation Committee and a decision from the Procurement Committee.	When purchasing drain cube, the requirements are obtained in writing, and after the prices are called, they are referred to a technical evaluation committee and the purchase is made based on its recommendations.	Purchases must be made in accordance with the Procurement Guidelines.

3.6 Human Resources Management

(a) Employee vacancies and surplus

Audit Observation	Comments of the Council	Recommendation
04 employees recruited under Public Administration Circular No. 25/2014 and not assigned to the duties of the relevant posts had been deployed to serve in other office functions.	They will be deployed to the relevant duties when the vacancies are filled.	Action should be taken according to the circular instructions.

(b) **Employee Loan**

Audit Observation	Comments of the Council	Recommendation
As at the last day of the year under review, a debt balance of Rs. 282,942 remained to be recovered from 04 officers due to suspension, death and retirement.	Steps are being taken to recover the retirement gratuity.	Action should be taken to recover outstanding loans.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Council	Recommendation
While 06 projects that were to be carried out by the Council as per the annual action plan with an estimated provision of Rs. 8,800,000 had not been completed, 02 projects worth Rs. 2,185,040 which were not included in the action plan of the year under review and for which no provision had been made in the budget had been completed.	That the matters pointed out by the audit are accepted.	Efforts should be made to achieve the activities included in the annual action plan.

4.2 Sustainable Development Goals

Audit Observation	Comments of the Council	Recommendation
In accordance with the 2030 Agenda for Sustainable Development Goals, the Council had identified sustainable development goals and implemented 36 programs for the various needs of the people, spending Rs. 52,447,910.	While accepting the points raised by the audit, the Pradeshiya Sabha will continue to pursue sustainable development goals and work to achieve them in line with the 2030 Agenda.	Action must be taken to achieve sustainable development goals and targets.