Hakmana Pradeshiya Sabha- 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Hakmana Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, statement of financial performance, statement of changes in net assets and 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 Sub Section 10 (1) 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 statement of financial positions as at 31 December 2024 of the Hakmana Pradeshiya Sabha and of its financial performance and its cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

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 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 to be prepared.

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 exercise 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 the 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 Industry;

- 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

The National Audit Act No.19 of 2018 includes special provisions regarding the 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 included all the recommendations made by me in the previous year described in paragraph 1.6 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 Observations	Comments of the Council	Recommendation
(a)	The fixed deposit investment balance held by the Council had been under-accounted by Rs.1.93 million.	It will be corrected in the future.	Fixed deposit investments should be accounted at correct value.
(b)	The remaining amount of Rs. 1.01 million from the provision approved by the Governor to be spent on the Model Village Project in the Wepathaira Division, which was initiated in the year 2022, had been accounted under Industrial Creditors.	It will be corrected in the future.	Action should be taken to correct it.
(c)	Although all payments related to the expansion of the Pradeshiya Sabha canteen had been made by 29 December 2023, an initial creditor provision of Rs.0.15 million had been made for it in the year under review.	That, it has been accepted.	Action should be taken to correct it.
(d)	The amount of Rs.0.07 million spent on the repair of the compactor vehicle owned by the council had been capitalized under Motor Vehicles and Carts.	Action is being taken to correct it.	Action should be taken to correct it.

(e)	The 43 items of goods not in the form of fixed assets amounting to Rs.0.19 million held by the Council had been accounted under fixed assets.	Action will be taken to correct it in the future.	Action should be taken to correct it.

1.6.2 Un-reconciled Control Account

Audit Observations	Comments of the Council	Recommendation
There was a difference of Rs.0.51 million between the balances relating to 05 accounting objects shown in the financial statements and the balances shown in the relevant supporting schedules.	Action is being taken to correct it.	Action should be taken to correct the accounts by comparing the differences in the relevant balances.

1.6.3 Documentary Evidence not made available for Audit

Audit Observations	Comments of the Council	Recommendation
Due to the failure to submit fixed asset registers, detailed schedules, and balance confirmation documents, 08 accounting items totaling Rs.27.63 million could not be satisfactorily examined during the audit.	The documents are being corrected.	Action should be taken to correct the accounts by comparing the differences in the relevant balances.

1.7 Non- Compliance

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

The following are the non-compliance with laws, rules, regulations and management decisions.

Reference to Laws, Rules and Regulations etc.	Non- Compliance	Comments of the Council	Recommendation
Section 132 (a) of the Pradeshiya Sabha Act No.15 of 1987	Rs.0.38 million was spent during the year under review from the council funds contrary to the Pradeshiya Sabha Act to undertake a study tour for capacity development of the council staff.	The expenditure was incurred from council funds under the officer training program and the prior approval of the Minister was not obtained.	Prior approval of the Minister should be obtained for such payments in accordance with the provisions of the Act.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the recurrent income exceeding the recurrent expenditure of the Council for the year ended 31 December of the year under review was Rs.13.33 million, and correspondingly, the recurrent income exceeding the recurrent expenditure of the previous year was Rs.37.41 million.

2.2 Revenue Administration

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

According to the information submitted by the Secretary, the following is the information on estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year.

		2024				2023			
	Source of Revenue	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Assessment and Taxes	2,009,160	2,540,479	2,522,840	3,597,842	1,883,841	2,177,838	1,638,999	3,580,203
(ii)	Rent	12,026,710	10,831,391	10,990,041	343,000	13,008,240	11,513,149	12,584,269	501,650
(iii)	License fee	910,100	928,686	956,686	-	1,121,000	805,164	777,164	28,000
(iv)	Other Revenue	18,101,300	18,188,583	18,027,790	178,073	12,813,000	17,029,070	17,426,697	17,280
		33,047,270	32,489,139	32,497,357	4,118,915	28,826,081	31,525,221	32,427,129	4,127,133

2.2.2 Performance in collecting Revenue

The observations regarding the performance of revenue collection in the council as follows

	Audit Observations	Comments of the Council	Recommendation
(a)	**Assessment**		
	The balance of the arrears assessment at the beginning of the year under review was Rs.1.31 million, and at the end of the year there was an arrears assessment balance of	Rs.152,212 as at 31 March 2025 had been recovered from the balance at the end of the year under review and	Action should be taken to collect arrears of revenue promptly.

	Rs.1.15 million in respect of 716 assessment units. Out of these, 53 units had arrears balances of more than Rs.5,000 and the Council had not taken action to issue red notices, foreclose on properties and take legal action in respect of those arrears assessment units.	Rs. 39,236 had been recovered from 53 arrears balances exceeding Rs. 5,000.	
(b)	**Rent**		
(i)	0.34 million was due from 36 stalls owned by the council, and although the owner of stall number 08 at the bus stop had defaulted on paying the stall rent since 2020, legal action had not been taken to recover the arrears of Rs. 95,500 due to no agreement had been reached with the lessor.	Rs.0.16 million has been recovered, and that legal action cannot be taken to recover the arrears since no contract has been entered into.	Action should be taken to collect arrears of revenue promptly and appropriate action should be taken against officials who have not collected arrears of revenue for a long time.
(ii)	Attention had not been paid to the rental of the Hakmana Danny Abeywickrama Stadium and the Town Hall, which could have been used to generate rental income by enacting by-laws in accordance with Section 126 (viii) (e) of the Pradeshiya Sabha Act No. 15 of 1987.	The by-laws for renting out the playground have been submitted to the Governor, and the Town Hall is currently drafting the by-laws.	Actions should be taken to generate revenue by enacting by-laws.
(c)	**Other Revenue**		
	Rs.0.98 million in court fines and Rs.18.07 million in stamp duty should have been collected from the Chief Secretary of the Provincial Council and other officers.	Rs.0.39 million has been recovered from the outstanding court fine and Rs.0.19 million from the outstanding stamp duty balance.	Arrears of revenue should be collected promptly.

3. Operational Review

3.1 Performance of functions assigned by the Act

The following are the observations made regarding the performance of the duties of the council under Section 3 of the Pradeshiya Sabha Act, namely, to regulate and control matters relating to public health, public utility services and public roads, and to ensure the comfort, convenience and welfare of the people.

Audit Observations	Comments of the Council	Recommendation
Action had not been taken to implement the formal program to manage the daily garbage collected within the Hakmana Pradeshiya Sabha area of authority by the end of the year under review.	Organic fertilizer is produced from biodegradable garbage, a portion of non-biodegradable garbage is sold, and unusable non-biodegradable garbage is used to fill landfills.	A formal garbage management program should be implemented within a specific time frame.

3.2 Operational Inefficiencies

Audit Observations	Comments of the Council	Recommendation
Although, in terms of Section 154(1) of the Pradeshiya Sabha Act No. 15 of 1987, when any land within the limits of a Pradeshiya Sabha is sold, a tax equal to one percent of the proceeds from the sale of that land is payable to the Pradeshiya Sabha by the seller, auctioneer, broker or his servant or agent, fee had not been collected from 7 lands sold within the area of authority in the year under review and the previous year.	That the tax is levied when a piece of land is sold by an auctioneer or broker or his agent.	The taxes to be charged to the council should be collected in accordance with the provisions of the Council Act.

3.3 Assets Management

	Audit Observations	Comments of the Council	Recommendation
(a)	Action had not been taken to obtain title deeds for 10 land plots measuring approximately 08 acres, valued at Rs. 9.67 million.	That the deeds will be prepared in the future.	Actions should be taken to transfer the legal ownership to the name of the council.
(b)	There was a difference of 2033 kilometers between the milometer reading of the council's tipper vehicle and the value stated in the mileage records.	That an engineering report will be obtained and take actions to correct it.	Differences between the milometer reading and the running charts should be corrected and the reasons for the difference should be identified and appropriate action should be taken.

(c)	Attention had not been paid to registering 03 vehicles and machinery in the name of the council that had been donated to the council for a period of between 11 and 31 years.	One cab has been taken over in the name of the council and the other vehicle is being used as instructed.	The ownership of the vehicles should be transferred to the name of the council.

3.4 Human Resource Management

	Audit Observations	**Comments of the Council**	**Recommendation**
(a)	According to the staff plan, there was a redundant of 30 positions by the end of the year under review.	The post of Community Development Officer is a post included in the approved cadre of the Office of the Assistant Commissioner of Local Government, and requests have been submitted to the Assistant Commissioner of Local Government to approve 05 of the 28 positions of Development Officers, and information about other officers is submitted to the Chief Secretary of the Southern Province on a monthly basis.	Staff requirements should be reviewed and appropriate action should be taken regarding redundant officers.
(b)	The balance of the distress loan of Rs.0.45 million due from two employees who had been given notice of resignation and who had gone abroad had not been recovered by the end of the year under review.	One officer has agreed to pay the arrears in 2025, while the other officer will make payments periodically.	Loan balances should be recovered promptly, or else legal action should be taken to recover from the guarantors.
(c)	The 05 primary grade workers employed by the Council were assigned duties related to other posts without being assigned the prescribed duties related to the post, and an amount of Rs.3.11 million was spent from the Council funds during the year under review.	That all workers will be employed when necessary.	Staff requirements should be accurately identified and recruitment should be made, and officers should be engaged in their assigned duties.