

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Medirigiriya Pradeshiya Sabha for the year ended 31 December 2024 comprising the Statement of assets and liabilities as at 31 December 2024 and the Comprehensive Income Statement, Statement of changes in Net Assets/Equity, 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 provisions in 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 Medirigiriya Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

**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 Sri Lanka Public Sector Accounting Standards for Local Authorities, 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 includes 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 Non-Compliance with Sri Lanka Public Sector Accounting Standards for Local authorities

| Non Compliance with the reference to particular Standard                                                                                                                                                                                                                                                                                                                                                     | Comments of the Sabha                                             | Recommendation                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| (a) Although it was stated in E.G. 2.7 Appendix 02 of the standard that the value charged to the comprehensive income statement should be transferred on the basis of the depreciation calculation, depreciation of Rs. 879,430 had been calculated and included in the comprehensive income statement for the daycare center building whose construction was completed at the end of the year under review. | That will be corrected.                                           | The Sri Lanka Public Sector Accounting Standards for Local Government Institutions should be followed. |
| (b) Although it is stated in E.G. 3.3 Appendix 02 of the standard that depreciation should be calculated from the time it is installed and ready for use for its intended purpose, Rs. 1,431,836 was depreciated and included under comprehensive income in the expenditure statement even before the daycare center started using the toys, equipment, furniture and fixtures.                              | That will be corrected.                                           | The Sri Lanka Public Sector Accounting Standards for Local Government Institutions should be followed. |
| (c) Although it was stated that provisions should be made for all types of receivables including employee loans and advances, no provision for doubtful debt had been made for those balances.                                                                                                                                                                                                               | If such a separation is necessary in the future, it will be done. | The Sri Lanka Public Sector Accounting Standards for Local Government Institutions should be followed. |

## 1.6.2 Accounting Deficiencies

| Audit Observation                                                                                                                                                                                                                                                                                                                                               | Comments of the Sabha                                       | Recommendation                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------------------------------------------|
| (a) Solar power system revenue was under-accounted for by Rs. 190,017 and electricity expenses by Rs. 210,915.                                                                                                                                                                                                                                                  | That work is being done to account for income and expenses. | All income and expenses related to the solar power system should be accounted. |
| (b) As at 31 <sup>st</sup> December of the year under review, the fixed deposit interest amount of Rs. 195,401 received in the current bank account was shown as fixed deposit interest debtors.                                                                                                                                                                | That will be corrected.                                     | Fixed deposit interest should be accounted correctly.                          |
| (c) The industrial debtors and industrial creditors of the project to develop sanitary and rest room facilities at the Medirigiriya Watadageya premises had overstated the value by Rs. 1,173,974.                                                                                                                                                              | That will be corrected.                                     | Industry debtors and creditors balances should be accurately accounted.        |
| (d) Entertainment tax revenue of Rs. 224,000 received in respect of the previous year had not been recognized as income and had been retained under various deposits, and entertainment tax revenue in the year under review had been understated by Rs. 509,000.                                                                                               | That will be corrected.                                     | Should be accounted correctly.                                                 |
| (e) 04 balances of Rs.949,618 which should have been shown under creditors in the year under review had not been accounted for as creditors and related expenses.                                                                                                                                                                                               | That will be corrected.                                     | Should be accounted correctly.                                                 |
| (f) The value of the Medirigiriya Day Care Center building was overstated by Rs. 35,177,198 under property, plant and equipment as assets under construction.                                                                                                                                                                                                   | That will be corrected.                                     | Should be accounted correctly.                                                 |
| (g) Due to the abandoned of the values of 27 projects that should have been shown under roads, bridges, culverts worth Rs. 24,426,556 which had been constructed in previous years with the provisions of various external institutions, the balance of property, plant and equipment and the balance of capital assistance had been shown less by that amount. | That will be corrected.                                     | Should be accounted correctly.                                                 |

|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                   |                                                        |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|--------------------------------------------------------|
| (h) | Buildings worth Rs.3,759,045 constructed with financial provisions received from external institutions had been abandoned from the Capital Assistance Account and the Building Account.                                                                                                                                                                                                                                                                                                                                                                                                                  | Those adjustments are being made. | Should be accounted correctly.                         |
| (i) | When calculating the cash flow generated from operating activities in the cash flow statement, the value of investment income, which was Rs. 2,080,986, should have been deducted and the value of investment income received in cash, which was Rs. 1,721,829, should have been added to the cash flow from investing activities, but only Rs. 668,634 had been erroneously deducted from operating activities.                                                                                                                                                                                         | That will be corrected.           | The cash flow statement should be prepared accurately. |
| (j) | Although the increase in receivables in the cash flow statement was Rs. 55,830,119, it was Rs. 67,982,281, which is Rs. 12,152,162 more. In calculating cash flow from operating activities, the increase in other current assets was Rs. 273,394, but it was Rs. 947,028, which is Rs. 673,634 more. Although the increase in payables was Rs. 31,806,381, it was Rs. 38,967,862, which is Rs. 7,161,481 more. In the absence of other current liabilities, a positive balance of Rs. 38,413 and a negative balance of Rs. 7,510,820 were shown, resulting in a negative balance of Rs. 7,472,407 more. | That will be corrected.           | The cash flow statement should be prepared accurately. |
| (k) | In calculating the cash flow from investing activities, the net cash flow from investing activities was understated by Rs. 20,000,000 based to the negative value of the fixed deposit of Rs. 10,000,000 convert to cash during the year under review.                                                                                                                                                                                                                                                                                                                                                   | That will be corrected.           | The cash flow statement should be prepared accurately. |

### 1.6.3 Unreconciled Control Accounts or Records

| Audit Observation |                                                                                                                                                                             | Comments of the Sabha   | Recommendation                                                      |
|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------------------------------------------------------|
| (a)               | When comparing the value of 02 account balances shown in the financial statements prepared as at 31st December of the year under review with the balances in the supporting | That will be corrected. | Action should be taken to compare and correct the accounting books. |

documents relating to those account balances, there was a unreconcile of Rs. 384,165.

- |     |                                                                                                                                                                                                                                                |                              |                                                                     |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|---------------------------------------------------------------------|
| (b) | When comparing the values of 04 schedules shown in the financial statements prepared as at 31st December of the year with the balances of the supporting documents relating to those account balances, there was a unreconcile of Rs. 611,931. | That the document is errors. | Action should be taken to compare and correct the accounting books. |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|---------------------------------------------------------------------|

## 1.7 Non- Compliances

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

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions etc as follows.

|     | Reference to Laws, Rules Regulation and Management Decisions etc.                                                     | Non-compliance                                                                                                                                                                                                                                               | Comments of the Council                                                                                   | Recommendation                                         |
|-----|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
| (a) | Section 23 (b) of the National Environment Act, No. 47 of 1980, as amended by Acts No. 56 of 1988 and No. 53 of 2000. | Although the licenses issued by the Authority for the discharge of waste, air emissions, and vibration and noise emissions of industries must be renewed every 03 years, 16 environmental protection licenses had not been renewed by the year under review. | It has been impossible to issue licenses due to shortcomings in the industries and delays in paying fees. | An environmental protection licenses should be issued. |
| (b) | Extraordinary Gazette dated 17th April 2009 with amendments to the Urban Development Authority Act 1597/8             | Although 133 building applications were approved from 2018 to 2023, certificates of compliance had not been issued for 113 constructions.                                                                                                                    | Applicants have been informed.                                                                            | Action should be taken in accordance with the Gazette. |
| (c) | Financial Regulations of the Democratic Socialist Republic of Sri Lanka                                               |                                                                                                                                                                                                                                                              |                                                                                                           |                                                        |
| (i) | F.R. 371                                                                                                              | 02 advances of Rs. 57,000 had been settled late from 01 month and 06 days to 06 months and 27 days.                                                                                                                                                          | That will be corrected in the future.                                                                     | Financial regulations should be followed.              |

- |      |                                                                                                                                                                  |                                                                                                                                                                                    |                                                                                      |                                                            |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|------------------------------------------------------------|
| (ii) | F.R. 571(2)                                                                                                                                                      | 08 overdue deposits with a deposit value of Rs. 78,728 had not been settled.                                                                                                       | That will be working to settle it.                                                   | Financial regulations should be followed.                  |
| <br> |                                                                                                                                                                  |                                                                                                                                                                                    |                                                                                      |                                                            |
| (d)  | Public<br>Administration<br>Circulars                                                                                                                            |                                                                                                                                                                                    |                                                                                      |                                                            |
| <br> |                                                                                                                                                                  |                                                                                                                                                                                    |                                                                                      |                                                            |
| (i)  | Public<br>Administration<br>Circular No. 26/92<br>dated 19 August<br>1992                                                                                        | Emblem was not displayed on the bodies of 08 vehicles and 05 trailers.                                                                                                             | That will be corrected in the future.                                                | Action should be taken as per the circular.                |
| <br> |                                                                                                                                                                  |                                                                                                                                                                                    |                                                                                      |                                                            |
| (ii) | Public<br>Administration<br>Circular No. 9/2009<br>dated 09 April 2009<br>of the Secretary to<br>the Ministry of<br>Public<br>Administration and<br>Home Affairs | The Pradeshiya Sabha had paid Rs. 1,676,221 as overtime allowance to officers for the year 2024 without based on the fingerprint machine reports.                                  | Arrangements are being made to obtain a new fingerprint machine.                     | Action should be taken as per the circular.                |
| <br> |                                                                                                                                                                  |                                                                                                                                                                                    |                                                                                      |                                                            |
| (e)  | Asset Management<br>Circular No. 2/2017<br>of the Deputy<br>Secretary to the<br>Treasury dated 21st<br>December 2017                                             | No steps had been taken to take over the ownership of the vehicle parked in an unsafe manner in the vehicle yard or to hand it over to a party whose ownership would be confirmed. | A letter has been sent to the Chief Secretary requesting the necessary instructions. | Ownership of vehicles should be taken over and put to use. |

## **2. Financial Review**

### **2.1 Financial Result**

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 20,980,346 as compared with the excess of revenue over expenditure amounted to Rs. 32,211,799 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 following is the information on estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year.

| Source of Revenue   | Estimated Revenue | 2024           |                   | Total Arrears as at 31 December | Estimated Revenue | 2023           |                   | Total Arrears as at 31 December |
|---------------------|-------------------|----------------|-------------------|---------------------------------|-------------------|----------------|-------------------|---------------------------------|
|                     |                   | Revenue billed | Revenue collected |                                 |                   | Revenue billed | Revenue collected |                                 |
|                     | Rs.               | Rs.            | Rs.               | Rs.                             | Rs.               | Rs.            | Rs.               | Rs.                             |
| (i) Rates and Taxes | 5,387,230         | 4,427,379      | 6,253,025         | 4,172,118                       | 4,993,116         | 4,382,673      | 4,457,112         | 5,997,764                       |
| (ii) Rent           | 12,893,184        | 9,517,784      | 8,698,926         | 1,642,116                       | 15,858,300        | 7,618,445      | 10,882,609        | 823,258                         |
| (iii) License fees  | 414,820           | 544,172        | 544,172           | -                               | 309,800           | 531,960        | 531,960           | -                               |
| (iv) Other Revenue  | 5,471,880         | 4,107,185      | 4,433,613         | 248,340                         | 3,127,200         | 4,835,294      | 4,785,398         | 574,768                         |
| Total               | 24,167,114        | 18,596,520     | 19,929,736        | 6,062,574                       | 24,288,416        | 17,368,372     | 20,657,079        | 7,395,790                       |

## 2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Council are given below.

| Audit Observation          |                                                                                                                                                                                                                                                                                                                                                           | Comments of the Sabha |                                                                | Recommendation                                      |  |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------------------------------------------------|-----------------------------------------------------|--|
| <b>(a) Rates and Taxes</b> |                                                                                                                                                                                                                                                                                                                                                           |                       |                                                                |                                                     |  |
| (i)                        | Although, in accordance with Section 20 of the Taxation and Valuation Ordinance No. 30 of 1946, rates properties should be assessed and rates and tax levied once every 5 years, the assessment was not implemented on time for 6 years due to the fact that assessments were not carried out on the basis of the 2013 rates assessment without doing so. | That                  | a new assessment will be made.                                 | Rates property must be assessed once every 5 years. |  |
| (ii)                       | As at 31st December of the year under review, rates tax of Rs. 3,045,830 was due, of which Rs. 651,859 was due from 44 rates units for a period ranging from 2 to 29 years. The outstanding rates revenue due from 20 government institutions was Rs. 58,327.                                                                                             | That                  | rates tax collection activities are being carried out.         | Arrears of revenue should be collected promptly.    |  |
| <b>(b) Rent</b>            |                                                                                                                                                                                                                                                                                                                                                           |                       |                                                                |                                                     |  |
| (i)                        | No action had been taken in the year under review to recover the rent income of Rs. 209,354 from shops and 18 vehicle parks which were due for a period of 11 to 30 years.                                                                                                                                                                                | The                   | Governor has been notified for approval to cut off the amount. | The arrears of revenue should be collected.         |  |
| (ii)                       | No action had been taken in the year under review to recover 5 outstanding revenue balances of Rs. 99,999 due for a period of 2 to 4 years on the rental of vehicles.                                                                                                                                                                                     | Those                 | recovery efforts are being made.                               | The arrears of revenue should be collected.         |  |

(c) **Other Revenue**

- |                                                                                                                                                                                                       |                                                                                    |                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| (i) No action had been taken in the year under review to recover the outstanding water charge revenue of Rs. 556,608 which had been due for a long time.                                              | A committee will be appointed to verify and examine the outstanding water charges. | The arrears of revenue should be collected.                             |
| (ii) The court fines and stamp duty receivable from the Chief Secretary of the Provincial Council and other authorities as of December 31, 2024 were Rs. 62,593,339 and Rs. 21,349,680, respectively. | Proposals have been submitted to obtain from the provincial treasury.              | Steps should be taken to bring in the prescribed revenue without delay. |

**3. Operational Review**

**3.1 Performing of Functions Enacted 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 Recommendation  
Sabha**

Although by-laws can be enacted to carry out 23 main matters under Section 126 of the Pradeshiya Sabha Act, by-laws had not been enacted for 10 main matters as at 31<sup>st</sup> of December 2024.

That the necessary work is being done. Action should be taken to enact by-laws.

**3.2 Management Inefficiencies**

**Audit Observation**

**Comments of the Recommendation  
Sabha**

- (a) In the previous year's board of survey, 132 units related to 13 items of goods identified as deficient had not been dealt with in accordance with Financial Regulation 760 and Financial Regulation 102, and further action had not been taken to identify those responsible.

That the necessary action will be taken in the future to find those responsible. Action should be taken to recover the losses.

- (b) Although roads should be identified and gazetted in accordance with Section 28 of the Pradeshiya Sabha Act, the CGLG project had conducted road measurements using GPS

That action was taken to prepare a road inventory. Road inventory should be prepared.

technology, but no steps had been taken to gazette them and prepare a road inventory.

- |     |                                                                                                                                                                                                                                                                                                     |                                                                         |                                                                            |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------------|
| (c) | Although 900 institutions related to 10 industries for which the Pradeshiya Sabha has the authority to issue environmental licenses had obtained trade and business licenses, only 82 of them had obtained environmental licenses, resulting in the council losing nearly Rs. 3,272,000 in revenue. | Environmental licenses will be issued based on the industry survey.     | Licenses should be issued to all institutions entitled to obtain licenses. |
| (d) | On June 22, 2022, 06 tires of the motor grader machine purchased for Rs. 114,000 were still stored in the warehouse without being installed on the machine as at 31 <sup>st</sup> of December 2024.                                                                                                 | The motor grader will be put into use after being repaired.             | The need must be identified and purchases made.                            |
| (e) | The value of a motor boat and engine received from the Ministry of Disaster Management had not been assessed and accounted.                                                                                                                                                                         | That it will be included under assets in the account for the year 2025. | Assets must be assessed and accounted.                                     |
| (f) | The management had not taken steps to submit detailed information for audit on 03 asset balances, 02 revenue balances and one expenditure balance totaling Rs. 30,873,442 as shown in the financial statements of the year under review.                                                            | That all written evidence required for the audit will be provided.      | Schedules containing single balances should be submitted.                  |

### 3.3 underutilized Assets

#### Audit Observation

43 units belonging to 17 asset items totaling Rs. 67,427,409 owned by the Pradeshiya Sabha remained idle for various reasons without being utilized.

#### Comments of the Recommendation Sabha

That the auction and utilization will be carried out. Action should be taken to utilize assets.

### 3.4 Assets Management

#### Audit Observation

- (a) The cab that had been handed over by the North Central Chief Secretary and had been parked in the council premises for over 21 years had been parked in an unsafe manner without taking steps to properly dispose of it.

#### Comments of the Recommendation Sabha

It has been informed that the vehicle will be referred to the mechanical engineer along with a copy of the vehicle's book. Action should be taken to dispose of assets appropriately.

- |     |                                                                                                                                                                                                                                                                                                                                                |                                                                                                             |                                           |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| (b) | Both reports under Financial Regulation 104 (3) regarding the loss of Rs. 146,125 due to the breakage of the glass on the left side door of the backhoe loader on 15 December 2023 were prepared on 22 December 2023. Since the insurance company had reimbursed only Rs. 60,000 for this loss, the loss of Rs. 86,125 had not been recovered. | It has been stated that steps will be taken to prepare the relevant reports on the correct dates and times. | Financial regulations should be followed. |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-------------------------------------------|

### 3.5 Procurement

| Audit Observation                                                                                                                                                                             | Comments of the Sabha                            | Recommendation                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|---------------------------------------------------------|
| In accordance with Section 5.6.1 of the Procurement Guidelines, a price was invited for the purchase of a dot matrix printer valued at Rs. 76,000 without specifying specific specifications. | That a specific specification is being prepared. | Purchases should be made under specific specifications. |

### 3.6 Contract Administration

#### Medirigiriya Day Care Center Construction Sub-Project – Rs. 25,389,812

| Audit Observation                                                                                                                                                                                                                                                       | Comments of the Sabha                                                                                                 | Recommendation                                                                                                                    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| (a) Although payments should have been made after ensuring that the work had been completed in accordance with the conditions as per 8.12.1 and 8.12.2 of the Government Procurement Guidelines, payments of Rs. 1,687,073 had been made for 04 uncompleted work items. | That the unfinished work has been completed.                                                                          | Disciplinary action should be taken against officers who have certified that work has been completed but have not been completed. |
| (b) Since Laminated Plywood Shuttering was used under Bill of Quantities Item No. 04, there was no need to re-apply 15mm thick plaster on the smooth surfaces, so the subject of Plaster work was included under Work Item V-2 and Rs. 732,152 was paid uneconomically. | The plastering of the culvert was carried out because there was a decision regarding construction on the upper floor. | Non-economic payments should be re-examined.                                                                                      |
| (c) Under Bill of Quantities Item No. 19, Rs. 1,243,195 had been paid undeservedly, exceeding the estimated amount of 624.13 square meters, instead of the required 155 square meters, for the waterproofing of the Toilet Floor & Wall and Balcony sections.           | Since there was a decision regarding the construction of the upper floor, the entire section was waterproofed.        | -Do-                                                                                                                              |

- |     |                                                                                                                                                                                   |                                                                 |                                                                     |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|---------------------------------------------------------------------|
| (d) | The preparation and approval of estimates was very poor, as the value of contract variations amounted to Rs. 7,945,353, which is about 35 percent of the original contract value. | The amounts have changed due to changes in the structured plan. | Should be estimated accurately.                                     |
| (e) | Payment of Rs. 4,507,890 had been made for 101.6 cubic meters of concrete work without obtaining any quality inspection report in relation to this project.                       | Quality inspection reports have been submitted.                 | Quality inspection reports must be obtained before payment is made. |

### 3.7 Human Resources Management

| Audit Observation                                                                                                                                                                                                                                                                                                                                            | Comments of the Sabha                                                                                     | Recommendation                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| (a) There were vacancies for 13 officers for 11 posts in the Pradeshiya Sabha and there was a excesses of 02 officers for the posts of Office Assistant and Library Assistant.                                                                                                                                                                               | Accepted.                                                                                                 | Action should be taken to fill the vacancies.           |
| (b) 18 officers serving in the positions of Library Assistant, Road labour, Driver, and post of Office assistant of the Pradeshiya Sabha were performing duties in management services, revenue inspector, driver, guard, pre-school warden and library assistant positions that were not related to their regular positions for a period of 01 to 10 years. | Since there are vacancies, the necessary duties have to be fulfilled.                                     | Duties related to regular positions should be assigned. |
| (c) In accordance with Sections 4.4 and 4.6 of Chapter XXIV of the Establishments Code and Section 03 of the Public Finance Circular No. 05/2019 of the Deputy Secretary to the Treasury dated 27th July 2019, action had not been taken to recover the outstanding loan balance of Rs. 32,679 due to a deceased officer.                                    | That the Governor's approval has been submitted to obtain the deduction of money that cannot be deducted. | Action should be taken to settle the debt balance.      |
| (d) In the payment of contributions to the Employees' Provident Fund and the Employees' Trust Fund, Rs. 94,784 had been paid as Provident Fund and Rs. 14,218 as Employees' Trust Fund, totaling Rs. 109,002 in less in contributions.                                                                                                                       | Payment of Contributions will be calculated based on total earnings.                                      | Contributions should be calculated on total earnings.   |

#### **4. Accountability and Good Governance**

##### **4.1 Internal Audit**

###### **Audit Observation**

Although an Internal Audit Officer was appointed and a report was to be submitted to the General Assembly at the end of every month in accordance with 1.3 of the North Central Local Government Commissioner's Circular No. 4/2015 dated 18<sup>th</sup> of March 2015, sufficient internal audit had not been conducted and support had not been provided to carry out the functions and tasks of the institution.

###### **Comments of the Recommendation Sabha**

An internal audit should be conducted into the identified issues.

##### **4.2 Budgetary Control**

###### **Audit Observation**

The entire allocation of Rs. 3,870,600 provided for 35 expenditure items had been saved, while the allocation provided for another 93 expenditure items had been saved in the range of Rs. 200 to Rs. 5,964,534, i.e., from 1 percent to 98 percent, and therefore the budget had not been used as an effective financial guide.

###### **Comments of the Recommendation Sabha**

That will be working to correct it. The budget document should be used as a financial guide.

##### **4.3 Environmental Problems**

###### **Audit Observation**

A methodology had not been developed as at 31<sup>st</sup> December of the year under review to calculate and account for the stock value of fertilizer being produced at the Yudaganawa Pilisaru yard.

###### **Comments of the Recommendation Sabha**

It has been impossible to count the stock due to the lack of scale facilities. Assets should be accounted correctly.

##### **4.4 Sustainable Development Goals**

###### **Audit Observation**

The Pradeshiya Sabha had not identified and implemented sustainable development objectives, programs and criteria as per the regulations of the Sustainable Development Act No. 19 of 2017.

###### **Comments of the Recommendation Sabha**

That the identified programs are being implemented. Actions must be taken in compliance with the objectives and programs set out in the Act.