Haldummulla Pradeshiya Sabha – 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Haldummulla Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, Statement of Net Assets Changes, 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 HaldummullaPradeshiya 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)	As of December 31st of the year under review, the creditor balance related to 06 industries had been under-accounted by Rs. 7,075,278.	That steps will be taken to correct this when preparing the accounts for the year 2025.	Accounts must be prepared correctly.
(b)	For the year under review, 05 revenue and expenditure items totaling Rs. 7,185,711 were incorrectly accounted in the budget items.	-Do-	-Do-
(c)	The building repair expenditure of Rs. 2,174,891 incurred in the year under review for the previous year had been accounted for as an expense for the year.	-Do-	-Do-
(d)	Rs. 337,500 spent on the construction of mobile stalls during the year under review had been accounted for twice.	-Do-	-Do-
(e)	As at 31st December of the year under review, Rs. 110,770 of prepaid motor insurance expenses had been accounted for as an expense in the year under review.	-Do-	-Do-
(f)	As at 31st December of the year under review, credit provisions had not been made for 18 expenses with a total value of Rs. 98,191.	That steps will be taken to correct this when preparing the accounts for the year 2025.	Accounts must be prepared correctly.

(g)	The value of the fingerprint machine purchased during the year under review for Rs. 77,000 had not been capitalized.	That steps will be taken to correct this when preparing the accounts for the year 2025.	Accounts must be prepared correctly.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
As of December 31st of the year under review, the total balances of 05 control accounts were Rs. 89,990,122, while the total as per the supporting documents was Rs. 88,811,491, a difference of Rs. 1,178,631.	That steps will be taken to correct this when preparing the accounts for the year 2025.	Accounts must be prepared correctly.

1.7 Non- Compliances

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 Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Pradeshiya Sabha Act No. 15 of 1987 Section 24	The council had not maintained an updated register of roads and narrow streets with demarcated boundaries.	A road inventory is being prepared and updated.	A register of roads and narrow streets should be updated and maintained.
(b)	1988 Pradeshiya Sabha (Finance and Administration) Rules 193,	A statement indicating budget variances and the reasons for them had not been submitted with the financial statements.	That the financial statements for the year 2025 will be prepared and presented in accordance with the 193 of the Pradeshiya Sabha Financial and Administrative Rules of 1988.	All information must be submitted with the financial statements.

(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i)	Financial Regulations 104 (4)	Although more than 02 years had passed since the accident involving the cab that was involved in the accident on December 9, 2022, reports containing the determination of those responsible, compensation for damages, and relevant recommendations had not been submitted to the Auditor General.	It is stated that a final investigation has been conducted in accordance with Financial Regulation 104 (4) to prepare for the final investigation into this accident, and that the orders for that investigation have not yet been received, and that steps will be taken to obtain the relevant order promptly and compensate for the losses.	Must act in accordance with financial regulations
(ii)	Financial Regulations 371	The advances of Rs. 433,124 given by the Council in previous years and Rs. 142,900 given in the year under review had not been settled.	That will work to settle it.	Financial regulations must be followed.
(iii)	Financial Regulations 571 (i)	The balance value of the general deposit, which had expired 2 years after deposit, of Rs. 407,356 had not been settled.	Deposits that have been in existence for more than 2 years will be considered income in the future.	Financial regulations must be followed.

2. Financial Review

2.1 Financial Result

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. 14,931,456 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 14,251,679 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 Council Secretary, the estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

		2024				2023			
	Source of income	**Estimated Revenue**	**Revenue billed**	**Revenue collected**	**Total Arrears as at 31 December**	**Estimated Revenue**	**Revenue billed**	**Revenue collected**	**Total Arrears as at 31 December**
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	3,354,902	5,844,369	6,192,283	1,385,499	3,006,119	3,620,519	4,468,621	884,718
(ii)	Rent	5,527,664	6,082,648	5,630,723	1,516,334	4,206,100	5,247,537	4,914,874	1,369,782
(iii)	License fees	847,100	1,453,925	1,453,925	60,509	837,100	2,331,937	2,369,137	60,509
(iv)	Other Revenue	21,694,752	21,723,147	21,571,442	13,489,144	6,761,750	11,025,736	10,785,366	4,204,592
	Total	31,424,418	35,104,089	34,848,373	16,451,486	14,811,069	22,225,729	22,537,998	6,519,601

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 Council	Recommendation
(a)	**Rates and Taxes**		
	Rs. 565,291 Of the assessment taxes billed in the year under review, Rs. 380,195 were collected during the year. This was 67 percent as a percentage of the billed revenue.	Necessary steps have been taken to recover the billed assessment revenue.	Arrears of revenue should be recovered as per the provisions of the Act.

(b) **Rent**

Rs. 377,490 in arrears of rent, which had been outstanding for more than 04 years, had not been recovered in the year under review.	After settling the land ownership of several shops, will take steps to recover the arrears. It will also initiate legal action to recover the relevant charges for the shops.	Arrears of revenue should be collected according to agreements.

2.2.3 Court fines and Stamp duty

Audit Observation	Comments of the Council	Recommendation
Court fines of Rs. 6,042,714 and stamp duty of Rs. 23,549,292, which were receivable as at 31st December the year under review, had not been collected from the Chief Secretary of the Provincial Council and other authorities.	It is hoped that the arrears of revenue will be resolved in the future.	Steps should be taken to collect arrears of court fines and stamp duties.

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 Council	Recommendation
(a)	The Pradeshiya Sabha generates income by meeting the water needs of 896 families under 06 water schemes, and the Haldummulla Medical Officer of Health had reported on 19 December 2024 that the water samples tested for 03 of them were unsuitable for use as drinking water. The council had not taken the necessary steps to make this water suitable for drinking and had not taken steps to test the water samples of the remaining 03 water schemes.	Water purification work is underway at two water projects, and necessary measures are being taken to purify the water at the remaining projects.	The people's need for clean drinking water must be met urgently.

(b)	A balance of Rs. 3,856,644 was held in fixed deposits as of 31st December of the year under review without any provision being made in the budget.	Based on the decisions of the council to be elected in the future, these fixed deposit funds will be used to fulfill the powers vested in local government institutions.	Council funds must be used effectively.

3.2 Uneconomic Transactions

	Audit Observation	Comments of the Council	Recommendation
(a)	Although advances of Rs. 10,000 and Rs. 100,000 respectively were given to the Kitulagahaarawa Rural Organization for the construction of a culvert and a drinking water supply project under the council funds on 31st March 2015, the works had not been completed and the advances had not been settled by the end of the year under review.	The Kithulgahaarawa Rural Development Society has been informed.	Advances must be paid promptly.
(b)	Although the Pradeshiya Sabha had spent Rs. 187,000 to survey the land belonging to the Land Reforms Commission near Uda Diyaluma Falls, the land had not been taken over.	The Land Reforms Commission and the Uva Provincial Ministry of Tourism have informed the council and will take steps to resolve the issue in the future.	The land should be acquired and development work should be carried out.

3.3 Management Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	On 8th November of 1982, a house belonging to the Koslanda Sub-Office of the Pradeshiya Sabha had been given to an employee of the Pradeshiya Sabha by entering into a lease agreement, and although that officer had retired on 01st January of 1984, the relevant house had not been taken back over to the Pradeshiya Sabha.	Since this has been a long-standing issue, it is expected that action will be taken based on the decisions of the council to be elected in the future.	Council assets should be repossessed in accordance with the agreements.

(b)	The fixed asset register relating to 03 asset subjects with a total value of Rs. 124,296,994 had not been updated.	That steps will be taken in the future to submit correct schedules.	That steps will be taken in the future to submit correct schedules.

3.4 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Council	Recommendation
It was observed that the telescope worth Rs. 120,000, which had been purchased under the provisions of the Local Development Support Project to establish the Udaviharagala Observatory on the site of the observation deck for the purpose of generating income on the basis of the decision of the Management Committee on 28 June 2023, was found to be useless due to the rejection by the lessee and the warranty period given at the time of purchase of the telescope had also expired. It was confirmed during the field inspection that the toilet system at the site of the observation deck was in a very dirty condition and unfit for use.	The procurement process is underway to lease this telescope and the identified repairs to the toilet system are currently being carried out by the council.	Idle assets should be utilized and the lessee related to the toilet system should be dealt with in accordance with the clauses of the agreement.

3.5 Assets Management

Audit Observation	Comments of the Council	Recommendation
Pursuant to Section 27 of the Land Ordinance, steps had not been taken to acquire 24 lands and 34 cemeteries owned by the council under the transfer orders.	It is hoped that this matter will be discussed and a solution reached at future Regional Coordination Committee meetings.	The ownership of assets owned by the council must be settled.

3.6 Human Resources Management

	Audit Observation	Comments of the Council	Recommendation
(a)	According to the approved staff report for the Pradeshiya Sabha, 09 officers had been employed in excess of the approved staff for 04 posts, while two posts remained vacant.	According to the approved staffing report, the approved number of employees is not sufficient.	The approved staff should be revised.

(b)	The outstanding loan balance of Rs. 86,420 from three retired, left from service and deceased officers had not been recovered from the guarantors in accordance with Sections 1.6 and 4 of Chapter XXIV of the Establishments Code.	That action will be taken to recover it.	The instructions of the Establishments Code should be followed.

4 Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
When comparing the estimated income and expenditure according to the budget prepared by the Pradeshiya Sabha for the year under review with the actual income and expenditure of the year, there were variations ranging from 72 percent to 85 percent in 05 income items and from 13 percent to 58 percent in 05 expenditure items.	As indicated by the audit inquiry, special attention is paid to using the budget document as an effective control tool.	The budget should be used as an effective control tool.

4.2 Action Plan

Audit Observation	Comments of the Council	Recommendation
Due to the fact that a field inspection was conducted during the preparation of the budget and action plan prepared for the year 2024 and the failure to select development projects according to a priority list, 11 projects out of the 31 development projects identified for the year 2024 had not been implemented.	That projects identified according to public demand and priority needs will be implemented.	Development activities should be carried out according to the budget and action plan.

4.3 Environmental Problems

Audit Observation	Comments of the Council	Recommendation
02 water tanks of the Waste Management Center, which had been completed by March 2024 at a cost of Rs. 751,910 with the aim of cleaning and recycling polythene and non-biodegradable waste, remained unused and idle as of the audit date of 24th February 2025, and it was observed that polythene and non-biodegradable waste were being disposed of in an irregular manner in the garbage yard.	To overcome these shortcomings, two water tanks at the Waste Management Center are currently being repaired.	Solid waste management should be regularized.