

Imbulpe Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Imbulpe Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and Statement of financial performance, Cash Flow Statement, Statement of changes in net assets 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, 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 Imbulpe Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows 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) The capitalization of Rs. 528,750 in motor vehicle repair expenses incurred during the year under review resulted in an increase in the balance of the Non-Current Assets and Contribution from Revenue to Capital Outlay Account by that amount.	That will be corrected in the final accounts of the year 2025.	Expenses must be accounted for correctly.
(b) Rs. 285,010 spent on the Aluthnuwara Water Scheme, which was completed during the year under review, had not been accounted.	That will be corrected in the final accounts of the year 2025.	Project expenses must be Project expenses must be accounted for correctly.
(c) Due to the over-accounting of water fee income of Rs. 2,472,151 in the year under review, the operating surplus and current assets (receivables) were overstated by that amount.	That will be corrected in the final accounts of the year 2025.	Revenues must be accounted for correctly.

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Council	Recommendation
There was a difference of Rs. 2,714,524 between the balances as per the financial statements and the balances as per the supporting documents at the end of the year under review in relation to 04 accounting items.	The reasons for the change are currently being investigated.	The reasons for the difference must be identified and corrected.

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)	Section 127 of the Pradeshiya Sabha Act No. 15 of 1987	No steps had been taken to acquire the rights to 133 cemeteries within the council boundaries and to clarify their boundaries in order to minimize the risk of being encroached upon by unauthorized settlers.	That the Divisional Secretary has forwarded survey requests for the survey of cemeteries and that letters have been sent to obtain the consent of the Local Government Commissioner, the Central Environmental Authority and the Medical Officer of Health regarding the acquisition of cemeteries.	Action must be taken to reclaim ownership and settle boundaries.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka 371(5)	106 advances issued from 2002 to 2020 totaling Rs. 3,998,332 had not been settled by April 2025.	It is stated that the Governor has been asked to approve the writing off of unpaid advances of Rs. 3,132,563 and that investigations are being conducted regarding the remaining advances.	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. 14,049,119 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 10,680,873 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 income	2024				2023			
	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.
Rates and Taxes	1,698,468	1,385,727	1,382,093	96,574	2,958,337	1,047,965	1,126,452	97,516
Rent	6,655,000	4,571,907	4,505,707	715,575	5,115,480	4,537,460	4,544,640	638,375
License fees	1,036,000	1,332,380	1,371,969	-	1,851,000	1,112,976	1,097,776	15,200
Other Revenue	<u>14,336,533</u>	<u>19,842,148</u>	<u>20,677,856</u>	<u>6,249,610</u>	<u>8,200,000</u>	<u>8,644,414</u>	<u>10,239,619</u>	<u>7,168,690</u>
	<u>23,726,001</u>	<u>27,132,162</u>	<u>27,937,625</u>	<u>7,061,759</u>	<u>18,124,817</u>	<u>15,342,815</u>	<u>17,008,487</u>	<u>7,919,781</u>

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) By the end of 2024, steps had not been taken to map and gazette the zones and assess the properties in order to collect assessment tax from 03 areas identified as developed rural areas in 2018.	It is planned to map, gazette and assess these zones in the future.	Measures related to the collection of assessment taxes should be made efficient.
(b) Out of the outstanding water fee revenue of Rs. 6,916,759 which was due at the end of the year under review, Rs. 5,716,687 had not been collected by March 2025.	There is a possibility that further shortage water charges will be levied.	Steps should be taken to recover outstanding water charges.
(c) Although a fee of 01 percent had been collected based on the provisional valuation in relation to a land auction held in the year 2023, no steps had been taken to identify the actual value of the lands sold and recover the outstanding fees that were still due.	No answers were given.	The actual value of the lands sold should be identified and steps should be taken to recover the outstanding fees that are still due.

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.

3.1.1 Solid Waste Management

Audit Observation	Comments of the Council	Recommendation
(a) (i) The Leachate Treatment System, which was constructed in 2018 at a cost of Rs. 1,179,374 to upgrade the Kapokwatta Solid Waste Management Center, had been inactive for about a year, causing the wastewater from the first tank at the Waste Management Center to overflow and flow onto a nearby plot of land.	That the relevant site is being inspected in accordance with the technical report and that a 104 damage inspection will be conducted regarding the loss of the electric motor installed in the motor room of the wastewater system and necessary measures will be taken regarding the loss/damage.	Necessary measures should be taken to restore the leachate treatment system, and an investigation should be conducted into the loss of the electric motor and those responsible should be determined.
(ii) The electric water motor worth Rs. 26,301 installed in the motor room of waste water tank system in the above project was stolen on 12 th October 2022, but action had not been taken in accordance with Financial Regulation 104 regarding the loss that had occurred by the end of the year under review.	That the relevant site is being inspected in accordance with the technical report and that a 104 damage inspection will be conducted regarding the loss of the electric motor installed in the motor room of the wastewater system and necessary measures will be taken regarding the loss/damage.	Necessary measures should be taken to restore the leachate treatment system, and an investigation should be conducted into the loss of the electric motor and those responsible should be determined.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
The outstanding revenue and water supply charges of Rs. 1,065,864 carried forward from the year 2016 had not been settled during the year under review.	No written information can be found regarding who should collect this amount, which will be carried forward from 2016.	Action should be taken to settle the outstanding balance.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The Galagama Tourist Camp owned by the council had been leased for a period of 5 years from 1 March 2023 without a formal assessment and without formal approval at a monthly rental value of Rs. 40,000. The arrears of Rs. 367,600 due for this building for the period from April 2022 to November 2022 had not been settled by April 2025.	After receiving the assessment report, steps will be taken to provide it to a suitable lessee through a formal procurement process and a letter has been sent to the Governor for approval regarding the write-off of the tax amount to be recovered.	Steps should be taken to recover the outstanding amounts and lease the building in accordance with procurement guidelines.
(b) The Galagama Multipurpose Building, which was constructed at a cost of Rs. 42,000,000 under the Puraneguma Project, had not been used for its intended purpose since 2016 when it was taken over by the Council. Subsequently, without assessing its value and calling for tenders, it was rented out to a private institution on 11 January 2022 for a monthly rental value of Rs. 100,000 without a formal rental agreement. Although the agreement had expired on 11 July 2022, the tenant had not handed over the building to the Council until June 2023. However, the Council had not taken steps to recover the rent of Rs. 1,100,000 due for that 11-month period.	The renovations related to the development of the Galagama Multipurpose Building as a tourist center have been carried out, new valuation reports have been obtained and steps are being taken to tender it and hand it over to a suitable lessee. It is also stated that an investigation is to be conducted to identify the parties responsible for the loss incurred due to the non-collection of the taxes due to the council.	Steps should be taken to utilize the multi-purpose building effectively and recover the arrears of rent.

3.4 Management of Vehicle fleet

Audit Observation	Comments of the Council	Recommendation
A lorry belonging to the Pradeshiya Sabha had used an excess of 120.64 liters of fuel worth Rs. 42,334 during the period from September 20, 2023 to 10 th April 2024, by balancing the fuel based on a value determined by the driver, contrary to the fuel combustion values determined through a formal fuel combustion test.	An investigation into this matter will be conducted in the future.	A formal investigation should be conducted.