

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Medirigiriya Pradeshiya Sabha for the year ended 31 December 2023 comprising the notes to the financial statements, statement of assets and liabilities, statement of net assets/ changes in equity, cash flow statement as at 31 December 2023 and other explanatory information of significant accounting policies 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 Subsection 172(1) of the Pradeshiya Sabhas Act, No. 15 of 1987 and provisions of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Medirigiriya Pradeshiya Sabha as at 31 December 2023, and its financial performance and 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

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). 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 Sub-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 of the Sabha.

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the 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:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 Sabha's internal control.
- Evaluate the 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.
- 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 Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Institution;
- Whether the Sabha has performed according to its powers, functions and duties; and
- Whether the resources of the 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

The special provisions are included in relation to the following requirements specified in the National Audit Act, No.19 of 2018.

- (a) According to the requirement mentioned in Section 6 (1) (d) iii of the National Audit Act No. 19 of 2018, the financial statements of the Pradeshiya Sabha are consistent with the preceding year.
- (b) The financial statements presented includes 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 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) The value of land where the Yudhaganawa cemetery is located, had not been valued and brought to account.	It has been informed that action will be taken to value and account for the same during the year 2024.	Assets should be vested and brought to account.
(b) The revenue from advertising hoardings amounting to Rs.137,000 received during the year under review relating to the preceding year had been brought to account as the revenue of the year under review, thus the surplus of the year had been overstated by the same amount.	It has been informed that action will be taken to account for the revenue of the year during that year itself.	Accounts should be presented on the accrual basis.
(c) Even though two motors of rice milling valued at Rs.220,000 received by the Sabha were stolen in the year 2015, the said value had not been stated under fixed assets.	It has been informed that action will be taken to eliminate the said value from fixed assets and stated in the register of losses and damages.	Accounts should be presented accurately.
(d) Entertainment tax amounting to Rs. 401,500 relating to the period from June to December of the year under review had been brought to account under sundry deposits, thus the revenue from entrainment tax of the year had been understated by the same amount.	It has been informed that action will be taken to examine and account for the entertainment tax amounting to Rs. 401,500.	Accounts should be presented accurately.

1.6.2 Lack of Documentary Evidences for Audit

Item	Amount	Evidence not made available for Audit	Comment of the Sabha	Recommendation
	Rs.			
Industrial creditors	8,645,396	I.confirmation of balances	It has been informed that action will be taken to submit the confirmation of balances of industrial debtors and creditors.	Necessary evidences should be made available.
Industrial debtors	7,911,690	II.Reconciliations of debtors and creditors		

1.7 Non- Compliances

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

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to laws, rules and regulations	Non-compliance	Comment of the Sabha	Recommendation
(a) Employees Trust Fund Act No.46 of 1980	Contributions of the Sabha amounting to Rs.216,877 payable to the Employees Trust Fund on the monthly salaries of the casual staff of the Sabha during the period from December 2019 to December 2023, had not been paid.	It has been informed that action will be taken to make the payment.	Action should be taken as per legal advice.
(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka	Paragraph 3.6 of Chapter XXIV	When recovering the salary loan advances valued at Rs. 1,126,768 granted to 07 officers during the year under review, it had not been decided that the monthly instalment is 10 per cent of the basis salary.	It has been rectified since January 2024. Action should be taken as per the relevant instructions on the recovery of instalments.

(c) North Central
Provincial
Treasury
Circular No.
2019/14 of 19
November 2019

Paragraph 04 Even though the relevant activities of Board of Survey should be completed by 31 December 2023 and a copy thereof should be submitted to the Auditor General before 15 February 2024, it had not been so done. It has been informed that action will be taken to submit the report of Board of Survey. Reports should be submitted after conducting Board of Surveys properly.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue of the Sabha in excess of the expenditure amounted to Rs.32,211,799 for the year ended 31 December 2023 as compared with the corresponding revenue exceeding the expenditure for the preceding year amounting to Rs.11,579,674.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Outstanding Revenue

According to the information made available by the Secretary, particulars on the estimated revenue, billed revenue, collected revenue and outstanding revenue relating to the year under review and the preceding year, are as follows.

Source of Revenue	Estimated Revenue	2023			Total Arrears as at 31 December	2022			Total Arrears as at 31 December
		Billed Revenue	Collected Revenue	Rs.		Estimated Revenue	Billed Revenue	Collected Revenue	
(i) Rates and Taxes	Rs. 4,993,116	Rs. 4,382,673	Rs. 4,457,112	Rs. 5,997,764	Rs. 3,384,810	Rs. 5,117,490	Rs. 4,009,761	Rs. 6,072,203	
(ii) Rents	15,858,300.	7,618,446	10,882,609	823,259	12,382,800	7,231,911	6,446,113	4,087,422	
(iii) License Fees	309,800	531,960	531,960		357,250	203,784	211,784	-	
(iv) Other Revenue	3,127,200	4,835,294	4,785,398	574,769	3,205,000	1,742,159	1,742,159	524,873	
	----- 24,288,416 =====	----- 17,368,373 =====	----- 20,657,079 =====	----- 7,395,792 =====	----- 19,329,860 =====	----- 14,295,344 =====	----- 12,409,817 =====	----- 10,684,498 =====	

2.2.2 Performance in Collecting Revenue

The observations on the performance in collecting revenue of the Sabha is given below.

Audit observation	Comment of the Sabha	Recommendation
(a) Rates and Taxes Even though the arrears of revenue of rates and taxes brought forward in the financial statements over a long period amounted to Rs. 5,997,764 as at the end of the year under review, action had not been taken to settle the outstanding revenue.	It has been informed that the said outstanding amounts have been recovered by issuing red notices to the persons who have not paid the outstanding rate and taxes.	Arrears of revenue should be recovered without delay.
(b) Rents A balance of Rs. 371,455 outstanding from butchers, fish stalls, parking lots and weekly fairs for over several years, had not been settled even during the year under review.	It has been informed that approval has not yet been received to write off them while an investigation on the arrears of revenue is being conducted through the Assistant Commissioner's Office and prompt action will be taken regarding the arrears of revenue accordingly.	Arrears of revenue should be settled without delay.
(c) Other Revenue		
(i) Attention had not been paid to settle an outstanding business tax of Rs. 2,129,560 remaining prior to the year under review.	It has been informed that an investigation on the irrecoverable arrears of revenue is being conducted through the Assistant Commissioner's Office and prompt action will be taken regarding the arrears of revenue accordingly.	Arrears of revenue should be settled without delay.
(ii) Action had not been taken to settle a revenue of outstanding water charges amounting to Rs. 556,608 remaining over a period of 05 years.	It has been informed that an investigation on the irrecoverable arrears of revenue is being conducted through the Assistant Commissioner's Office and prompt action will be taken regarding the arrears of revenue accordingly.	Arrears of revenue should be settled without delay.

- (iii) According to the reports made available, a revenue of court fines amounting to Rs. 47,526,040 and a revenue of stamp duty amounting to Rs. 5,981,330 were receivable from the Secretary of the Provincial Council and other officials as at 31 December 2023. It has been informed that action will be taken to collect the revenue. Arrears of revenue should be settled.

3. Operating Review

3.1 Execution of Duties assigned by the Act

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act, being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

Audit observation	Comment of the Sabha	Recommendation
-------------------	----------------------	----------------

By-laws

By-laws had not been enacted to perform 02 main functions of selling drinking water and charging rent for vehicles and machinery for which by-laws should be enacted under Section 126 of the Pradeshiya Sabha Act.	It has been informed that action will be taken to enact by-laws in future.	By-laws should be enacted as required.
---	--	--

3.2 Idle or Underutilized Property, Plant and Equipment

Audit observation	Comment of the Sabha	Recommendation
-------------------	----------------------	----------------

A sum of Rs. 11,303,033 had been spent on the construction of 03 e-library buildings under the Rural e-library project planned to be implemented through the Pradeshiya Sabha by the Ministry of Provincial Councils and Local Government without a proper feasibility study. Nevertheless, it had become a fruitless	It has been informed that the Ambagaswewa rural e-library is maintained at the Children's Section of the Public Library since September 2023 and it has been decided to provide for a party requested after being valued by an internal valuation committee and entered into an agreement with the intention of fulfilling a commercial purpose of	Action should be taken to utilize the constructed assets.
---	--	---

expenditure as the Sabha had a one library on a decision of failed to provide human and management committee. physical resources required for the implementation of the relevant project in the said buildings due to the limitation of recruitments.

3.3 Assets Management

Audit observation	Comment of the Sabha	Recommendation
(a) A sum of Rs. 35,599,552 had been spent by the end of the year under review for the construction of a Day Care Centre larger than the requirement of the relevant area under the LDSP Project in the year 2021. Nevertheless, construction work could not be completed even by March 2024 due to the lack of provision. Even though equipment had been purchased at a cost of Rs. 12,410,711 during the year under review for maintenance of the Day Care Centre in the said building, those equipment also remained idle over a period of 10 months.	It has been informed that the relevant construction work could not be completed with the provision approved and it is expected to complete all works and open the Day Care Centre by the end of September 2024.	The project should be commenced without delay.
(b) The Cab bearing No. 53-5060 remained idle in the premises of Sabha for more than a period of 21 years.	It has been informed that the vehicle bearing the said number which was handed over to the North Central Province should be vested in the Chief Secretary of the North Central Province with the concurrence of the Ministry of Finance and the duly filled Form M.T. A 6/8 has been sent for this purpose.	Action should be taken to dispose it without delay.
(c) Two (02) Water Bowsers remained idle were decaying in the premises of Sabha for more than a period of 11 years.	It has been informed that action will be taken to auction it.	Action should be taken to dispose it without delay.

- (d) Despite a lapse of one year from 30 June 2023, the date of approval of the Chief Secretary of North Central Province for incurring an estimated cost of Rs.4,674,654 on the repairs to the Motor Grader of which the engine was to be repaired since May 2022, the relevant repair work had not been carried out.
- It has been informed that further action will be taken as per the recommendations of Mechanical Engineer.
- Action should be taken to repair and utilize the assets.

3.4 Human Resource Management

Audit observation	Comment of the Sabha	Recommendation
The approved cadre of the Sabha is 57 while the permanent actual cadre stood at 42as at 31 December of the year under review, thus there were 15 vacancies in 09 posts of the approved cadre of the Sabha.	It has been informed to the Department of Local Government in the North Central Province.	Services should be rendered properly by filling the vacancies.