

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Madurawala Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of Assets and Liabilities as at 31 December 2023, 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 Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and the provisions of the National Audit Act No 19 of 2018. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Madurawala Pradeshiya Sabha as at 31 December 2023, 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 Opinion

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 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Non-compliances

Non-compliance with Laws, Rules, Regulation and Management Decisions

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below

Reference to Laws, Rules, Regulation and Management	Non – Compliance	Comment of the Sabha	Recommendation
Public Administration Circular No. 30/2016 dated 29 December 2016	Fuel inspection was not done for 11 vehicles.	That fuel inspection is in progress	Proceed in accordance with the circular

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of expenditure over revenue of the Sabha for the year ended 31 December 2023 amounted to Rs150,222 as compared with the excess of expenditure over revenue amounting to Rs1,239,526 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 presented by the secretary, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are as follows

		2023				2022			
	Source of Revenue	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
(i)	Rates and Taxes	2,850,576	3,124,810	2,260,476	1,263,660	1,647,544	822,720	852,052	1,035,335
(ii)	Rent	120,000	-	-	-	190,100	-	46,500	-
(iii)	License Fees	920,000	943,610	943,610	-	713,000	380,500	511,693	-
(iv)	Other Revenue	10,434,357	736,389	6,818,082	386,052	19,401,500	-	6,838,390	11,600,000
		14,324,933	4,804,809	10,022,168	1,649,712	21,952,144	1,203,220	8,248,635	12,635,335

2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Sabha are given below

Audit Observation	Comment of the Sabha	Recommendation
(a) Assessments and Taxes		
According to the assessment tax period analysis as at 31 December of the year under	Proceedings to recover arrears of income.	Arrangements should be made to recover the arrears of

reviewed, the assessment tax deficit between years 01 and 03 was Rs.983,703, the deficit between years 03 and 05 was Rs.137,896, the deficit between years 05 and 10 was Rs.77,536 and The deficit for more than 10 years was Rs.33,568.

income promptly.

(b) Other income

Court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities on 31December 2023 were Rs.5,495,952 and stamp duty was Rs.35,817,035. That schedules are prepared

The schedules have been -do - prepared

3. Operational Review

3.1 Identified Loss

Audit Observation

Comment of the Sabha

Recommendation

Although the judgment for the damage caused to the engine of the cab No. PE-6929 on 31st December 2016 was done in accordance with Financial Regulation 104(4), the relevant committees could not identify the cause of the accident, the value of the damage and the persons responsible for it and therefor the parties responsible for the damage were not identified even at the end of the year under review.

Although the Local Government Commissioner's Office has conducted a preliminary investigation, the actions to be taken have not been notified.

Further inquiries should be made from the Local Government Commissioner's office.

3.2 Idle or underutilized property, plant and equipment

Audit Observation

Comment of the Sabha

Recommendation

(a) No action had been taken regarding the decommissioned compost processing machine in the compost yard.

Necessary action will be taken to auction the goods after getting approval from Board of survey.

Unusable assets should be disposed

(b) The bell machine valued at Rs. 784,300, which was donated by the Ministry of Provincial Councils and Local Government in year 2016, remained unused in the fertilizer yard for almost 03 years.

Repairs are ongoing.

Assets should be properly maintained.

3.3 Assets Management

Audit Observation

Comment of the Sabha

Recommendation

- | | | |
|---|--|---|
| (a) 05 pieces of land belonging to the sabha were not assessed and accounted. | Necessary actions will be taken regarding land in the future. | Lands should be assessed and accounted |
| (b) 02 plots of public land had been used by outside parties because of the land of the sabha had not been measured and security confirmed. | The land will be identified and included in the building register. | Necessary action should be taken to protect sabha property. |

4. Accountability and good governance

4.1 Budget Control

Audit Observation

Comment of the Sabha

Recommendation

- | | | |
|--|--|--|
| The allocations for 17 debt Particulars were completely left and more than 70 percent allocations were left in 28 debt Particulars in the year under review. | The projects could not be carried out due to expense limitation. | Allocation of funds should be utilized efficiently |
|--|--|--|