

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Millaniya 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, 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 Millaniya 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 Qualified Opinion

My opinion is qualified 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

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 Audit observations regarding the preparation of financial statements

1.6.1 Non-compliance with Sri Lanka Public Sector Accounting Standard for Local Authorities

Non-compliance with reference to relevant standard	Comment of the Sabha	Recommendation
(a) Not in accordance with the provisions of Chapter No. 3.27 to 3.32 of the standard the investment income of Rs. 1,367,315 was added as Rs. 1,750,745 instead of deducting it while adjusting the surplus under operating activities.	That corrections will be made when preparing the financial statements of the year 2024.	Financial statements should be prepared in accordance with the Public Sector Accounting Standard for Local Authorities
(b) According to Chapter No. 3.6 of the standard, Instead of showing the information of the previous year for all the values presented in the financial statements, the information of the year 2021 was shown.	-do-	-do-

1.6.2 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) As at 31December of the year under review, the electrical storage stock and the stationery stock included in the closing stock balance were Rs.817,069 and Rs.306,521 respectively had been again included the advance stock balance	Error will be corrected.	Accounts should be properly prepared
(b) While correcting the error in recognizing the capital grant receipts in the year 2022 that is overstated by Rs.497,060, instead of debiting the accumulated fund, the receipts account for non-recurring expenses of the year under review had been debited	-do-	capital grant receipts should be recognized correctly in the income
(c) The depreciation of motor vehicles, computers, office equipment, bins and equipment, roads and culverts and library books should be Rs.6,134,086 in the year under review, but it was accounted as Rs.6,073,119.	- do -	Depreciation of asset should be calculated and accounted for correctly

- (d) Provisions of office Equipment depreciation, Provisions of bin and Equipment depreciation had been credited by Rs.675,998 and Rs.246,646 respectively, but in the financial statements it shown as Rs.792,629 that overstated by Rs.116,631 and Rs.584,924 that overstated by Rs. 338,278.
- It will be corrected through a journal entry in preparing the 2024 account.
- Accounts should be prepared correctly.

1.6.3 Unreconciled Control Accounts or Records

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs.9,551,676 between the balances shown in the financial statements of 05 accounting subjects and the balances shown in their related schedules/ledgers.	corrections will be made through journal entry in preparing the 2024 account.	The differences in the respective balances should be compared and the account should be corrected.

1.7 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
(a)In the Pradeshiya Sabha Act No. 15 of 1987 Section 127	22 cemeteries within the area of the Sabha had not been acquired to the Sabha.	That applications related to acquisition have been submitted to the Divisional Secretary.	Proceed as per the referenced clause.
(b)Public Administration Circular No. 30/2016 dated 29 December 2016 section 3.1	The fuel consumption of 07 vehicles owned by the sabha had not been checked annually.	fuel testing has been done in the year 2024	-do-
(c)Rule No. 299 on accounting matters related to local council financial administration published by Gazette No. 2155/8 dated 24 December 2019.	prepares lists of property and defaulters subject to unpaid industrial tax and business tax as at 31 March of the year under review had not been reported to the Secretary of the sabha before the 30 April .	It will be corrected in the year 2024.	-do-
(d) Western Province Chief Secretary's Circular No. 01/2016 dated February 29, 2016, section 2.2.3 and 2.2.5	A mechanical engineer had not confirmed the reasonableness of the prices obtained for the repair of the sabha's cab and also not obtained a certificate from the driver that he would be satisfied with the repair.	It will be corrected in the future.	-do-

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs. 24,445,211 as compares with the excess of revenue over expenditure amounting to Rs. 6,637,183 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.

Source of Revenue	2023				2022			
	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	4,440,600	4,025,951	4,024,801	1,150	3,197,440	4,433,669	4,366,325	67,345
(ii) Rent	342,000	189,190	189,190	-	402,000	218,362	218,362	-
(iii) License Fees	610,050	345,750	345,750	-	1,379,050	344,090	339,590	4,500
(iv) Other Revenue	11,810,550	9,405,239	9,405,239	-	39,661,100	37,296,591	32,847,465	4,449,126
	17,203,200	13,966,130	13,964,980	1,150	44,639,590	42,292,712	37,771,742	4,520,971

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
Other Income The court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2023 were Rs. 4,202,500 and stamp fees was Rs.7,237,656.	Action will be taken to collect the income.	The action should be taken to recover the arrears of income promptly.

3. Operational review

3.1 Performance of functions assigned by the Act

Under Section 3 of the Local Council Act, the following is the fact observed about the performance of the tasks that the sabha should have performed, such as regularization and control of matters of public health, public utility services and public roads, comfort, convenience and welfare of the people.

Audit Observation	Comment of the Sabha	Recommendation
35 business entities that had not obtained environmental licenses were given trade licenses for the year under review, and no legal action was taken against those entities.	Steps have been taken to proceed with the relevant institutions.	After obtaining the environmental permits, arrangements should be made to grant the trade permit.

3.2 Management Inefficiencies

Audit Observation

During the settlement of the advances given to the public health inspectors for the inspection of food samples, , no arrangements were made to obtain a report including the condition inspection results of the relevant food samples in addition to the bills.

Comment of the Sabha

Report will be obtained in the future.

Recommendation

The relevant reports should be obtained and further action should be taken regarding the institutions having problems.

3.3 Defects in Contract Administration

Audit Observation

The project had been completed without recommending and approving the Bill of Quantities and the material and labor cost estimate related to the Yalagala Temple Mawatha development project with an estimated cost of Rs.3,200,000 and the relevant officials had signed the documents after the audit.

Comment of the Sabha

It has been recommended and approved by the relevant officers and signed today.

Recommendation

Contract administration should be done with proper supervision.