

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Panadura Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023, and statement of financial operations, 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 reported 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 Panadura Pradeshiya Sabha as at 31 December 2023, 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 express qualified opinion in respect of financial statements based 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, 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 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 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

National Audit Act, No. 19 of 2018 includes 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 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 Related to the Preparation of Financial Statements

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

Audit Observation	Comments of the Sabha	Recommendation
(a) Although land and buildings should be accounted for separately as per Paragraph 6.3 of the Standard, the land and buildings valued at Rs 266,798,885 as at the end of the year under review had not been accounted for separately.	Actions have been taken to correct in the future to obtain valuation reports from Valuation Department as per Non-Financial Assets Assessment Guidelines.	Actions should be taken in terms of the Standard.
(b) Although a depreciation method should be selected to consume the future economic benefits of the asset and reflect that expected pattern in terms of Paragraph 6.15 of the Standard, the property, plant and equipment had not been	The Sabha has appointed a Committee on 14 August 2023 and actions are being taken in terms circular of Comptroller General.	Actions should be taken in terms of the Standard.

depreciated besides motor vehicles.

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| (c) | A sum of Rs.22,000 received from the sale of property and equipment, loan interest payments of Rs.1,788,867 and capital expenditure grants had not been adjusted while preparing the cash flow statement according to EG 6.2 of the Explanations and Guidance in Paragraph 3.29 of the Standard and its Appendix 2 . | That capital expenditure grants will be properly adjusted in the next year. | -do- |
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1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Although the value of transfers made by the government for non-recurrent expenses in the financial statements of the year under review should be recognized as income from the amount received for capital expenditure grants in previous years, a sum of Rs.11,820,925 had been accounted for as transfers from the government without verifying the income.	Actions will be taken to make these adjustments accurately in the future.	It should be accurately accounted for.
(b) When correcting the stamp duty of Rs 81,000,000 remaining from the year 2021, it was stated as Rs 80,000,000 by understating an amount of Rs 1,000,000.	The total of both stamp duty and court fines is eighty one million.	-do-
(c) Although the final balance of insurance compensation receivable was Rs.27,496, a sum Rs. 75,000 had been overstated as Rs.102,496 and the insurance claim receivable had been shown as a credit balance.	This will be correct in the next year.	-do-

- (d) Although the balance of Electricity Charges receivable - Keselwattaas at 31 December was Rs 109,568, a sum of Rs 7,072 had been understated as Rs 102,496. This will be adjusted from the account 2024 . It should be accurately accounted for.

1.6.3 Unreconciled Control Accounts

Audit Observation	Comments of the Sabha	Recommendation
There was a difference of Rs.615,134,871 when comparing a balance related to 08 accounting objects shown in the financial statements with the related schedules.	This will be looked into and adjustments will be made in 2024 .	The reasons for the differences should be checked and corrected.

1.6.4 Lack of Written Evidence Required for Audit

Object	Amount Rs..	Unavailability of Audit Evidence	Comments of the Sabha	Recommendation
(a) payments in Advance	105,732	Schedules	Checking is being done.	Written evidence confirming account balances should be submitted.
(b) VAT receivable	404,142	Schedules	Instead of paying the amount payable in the year 2023, a tax payment of Rs. 483,152/- has been made.	-do-
(c) Debtors	27,496	Schedules	This amount in the year 2022 has been stated as it is..	-do-
(d) (Vehicle Insurance Compensation)	138,276,612	Schedules	Actions will be taken to provide a related report in the near future.	-do-
(e) Accounts Receivable Before the Sabha Pre-payment	4,300,489	Schedules	This is a balance that has been remaining on for years.	-do-

1.7 Non-compliance

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

Reference to Laws, Rules, Regulations, etc.	Non-compliance	Comments of the Sabha	Recommendation
Section 160 of the Pradeshiya Sabha Ordinance No. 15 of 1987	Forefeithad not been done as the last step to collect arrears of rates.	Steps have been taken to forfeit on properties for lessors who have not paid arrears of rates.	Actions should be taken in terms of Pradeshiya Sabha Act.

2. Financial Review

2.1 Financial Results

As per the financial statements presented, the income exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2023 was Rs.76,769,142 and as against, the expenditure that exceeded recurrent revenue of the preceding year was Rs. 5,923,008.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenues, Collected Revenue and Arrears of Revenue

As per the information presented by the Secretary, the details about the estimated revenue, billed revenue, collected revenue and arrears of revenue presented for the year under review and the previous year are as follows.

Source of Revenue	2023				2022			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Rates and Taxes	29,182,126	29,268,870	31,053,418	38,576,875	31,334,126	31,593,211	17,290,160	14,303,051
Rents	413,200	2,237,767	4,376,396	2,299,534	406,000	532,200	395,200	137,000
License Fees	634,000	488,000	518,500	44,500	512,000	494,000	479,000	15,000
Other Income	13,270,000	10,583,600	10,572,800	54,923	2,500,000	9,960,000	9,960,000	-
Total	43,499,326	42,578,237	46,521,114	40,975,832	34,752,126	42,579,411	28,124,360	14,455,051

2.2.2 Performance of Revenue Collection

Audit Observation	Comments of the Secretary	Recommendation
<p>(a) As per the revenue progress report, as at 01 January, 2023, the total arrears of rates revenue was Rs 40,361,423 and a sum of Rs 25,321,339 equivalent to 63 percent from that had not been collected as at 31 December 2023. As per the age analysis, the rates of Rs.3,137,816 for more than 10 years, a sum of Rs. 6,873,917 for 05 to 09 years, and a sum of Rs.9,003,501 for 3 to 5 years had remained in arrears.</p>	<p>the balance of rates for more than 10 years is Rs 4,732,457 and for 5-9 years is Rs 9,009,833 and the balance is Rs 8,988,336 at Wadduwa Head Office and Keselwatta, Thanthirimulla Sub-offices.</p>	<p>Arrears should be recovered promptly.</p>
<p>(b) The annual billing of rates in the year under review was Rs 29,268,870 and of that billing, Rs 13,255,536 equivalent to 45 percent had not been recovered during the year under review and the arrears of balance to be recovered from 16 rates units that exceeds Rs.50,000 was Rs 2,952,995.</p>	<p>The billings in the year 2023 were Rs.9,037,429, Rs.5,525,219 and Rs.14,706,223 respectively in Keselwatta, Thanthirimulla, Wadduwa Sub offices and a sum of Rs 5,752,228, Rs 2,602,131 and Rs 7,233,057 have been collected respectively in the year 2023 .</p>	<p>Arrears of revenue in the current year should be collected.</p>
<p>(c) Although properties should be assessed for rates once in 05 years, two sub-offices of Keselwatta and Tanthirimale since 2007 and Wadduwa Sub-offices since 2014 had not been assessed for rates.</p>	<p>It is stipulated to implement the new assessment from 2025 in all the three Sub-offices.</p>	<p>Properties should be assessed for rates.</p>
<p>(d) According to the progress report, the trade premises rental income to be collected at the beginning of the year under review was Rs. 4,438,163 and of which a sum of Rs 1,830,800 equivalent to 41 percent had not been collected during the year under review.</p>	<p>Out of the trade premises rent receivable at the beginning of the year under review amounting to Rs.4,438,163, a sum of Rs. 4,376,396 had been charged on 31.12.2023 .</p>	<p>The arrears of revenue should be recovered promptly.</p>

3. Operational Review

3.1 Performing of Tasks enacted by the Act.

Audit Observation	Comments of the Secretary	Recommendation
<p>(a) Annual Action Plan Exceeding the approved provision of Rs.34.8 million in the Annual Budget, the provision of Rs.85.25 million had been included in the Annual Action Plan 2023.</p>	<p>This kind of situation occurs due to the priority needs that arise every year.</p>	<p>Action Plan should be prepared as per the Budget provisions.</p>
<p>(b) Abandoned Functions</p>		
<p>(i) Only the part of the drain running through a private land under the project to build the public drain on the government land bordering the Kajugahawatta land on Dibbedda Pragnanananda Mawatha, which was started in 1998 to solve a 25-year-old water transport problem was built with a Sabha fund of Rs. 253,577 and the project was abandoned while constructing. Due to this, in addition to the damage caused by the rain water flowing into the private lands from a drain on the road, the road was also unusable due to the rain water not draining.</p>	<p>The Divisional Secretary has given instructions to submit a proposal for the acquisition of a government land and that the Sabha is currently making a positive effort to provide solutions for this water drainage problem.</p>	<p>Actions should be taken to complete the project.</p>
<p>(ii) A sum of Rs 20,000,000 was received on 27 September 2021 from the Local Loans and Development Fund on 27 September 2021 to remove the old building of Keselwatta Public Market and construct the new building, and every month, a sum of Rs 150,000 had to be paid as interest for that loan amount. The grace period given was one year and 07 months and at the end of the grace period, the premium amount had to be paid. Although another loan of Rs 4,231,000 had been received from the Local Loans Development Fund on 26</p>	<p>As per the report of the special meeting conducted by the Director (Planning) of the Ministry of Local Government, it was informed that the estimates related to the Project should be prepared and approved promptly and the timelines related to the Project should be prepared and submitted to the Ministry following the formal method and an advisory committee should be appointed and the construction works should</p>	<p>Arrangements should be made to resume construction works.</p>

April 2022, public market has been stopped while constructing and no tender was called for resuming the construction works.

be carried out and accordingly, the works have already been commenced.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Secretary	Recommendation
<p>As per the instructions of the Ministry of Finance and Media in the Asset Management Circular No. 4/2018 dated 31 December 2018, although it was informed according to the letter of the Assistant Commissioner of Local Government No. LGD/10A/4/2019 dated 01 February 2021 that all fixed assets owned by the Sabha should be revaluated and accounted for in the presentation of the financial statements of the year 2020, certain lands, buildings, roads, culverts, bridges and other infrastructure facilities had not been recalculated by the Sabha in the year 2023 .</p>	<p>Actions will be taken to reevaluate and account for fixed assets owned by the institution in the presentation of financial statements in the year 2024 as per instructions in Asset Management Circular.</p>	<p>Actions should be taken in terms of the Circular.</p>

3.3 Assets Management

Audit Observation	Comments of the Secretary	Recommendation
<p>(a) Actions had not been taken to transfer a vehicle used by the Sabha, to the Sabha.</p>	<p>Actions have been taken to take over three out of four vehicles to the Sabha.</p>	<p>Actions should be taken to recover.</p>
<p>(b) Four vehicles owned by the Sabha had remained inactive by 17 May 2024.</p>	<p>Seven out of 11 vehicles have currently been disposed and the remaining 03 vehicles are being checked to see if they can be repaired in the future.</p>	<p>A formal program should be implemented to generate income from the assets owned by the Sabha and in respect of the security of those assets.</p>