

1. Financial Statements

1.1 Adverse Opinion

The audit of the financial statements of the Minuwangoda Pradeshiya Sabha for the year ended 31 December 2023 comprising the Statement of Assets and Liabilities as at 31 December 2023 and the Comprehensive Income Statement, Statement of changes in Net Assets/ Equity and 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 Subsection 172 (1) of the Pradeshiya Sabha 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 accompanying financial statements do not give a true and fair view of the financial position of the Minuwangoda Pradeshiya Sabha as at 31 December 2023, and of its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

1.2 Basis for the Adverse Opinion

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

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 this 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 the 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 responsibility is to conduct an audit of the Pradeshiya Sabha's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. 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:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.
- Obtained 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluated 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 periods and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

Special provisions are included in the National Audit Act, No. 19 of 2018 with respect to the following requirements

- (a) The Financial Statements presented are consistent with that of the preceding year as required by Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- (b) The requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018 has been included in the financial statements which presented the recommendations made by me in the previous year.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to the relevant standard	Comments of the Pradeshiya Sabha	Recommendations
(a) As per the EG 6.2 of the Clarifications and Guidelines of the Standard No. 3.28 and its Appendix 2, the following deficiencies were in the adjustments to be made for the surplus of the year under review in the calculation of the cash flow from operation activities.		
(i) The meaning of the value of Rs.39,755,084 which had been stated as adjustments was not revealed to the audit.	The actions are taken to prepare it correctly from the year 2024.	The proceedings should be done as per the standard.
(ii) Rs.43,004,688 had been adjusted instead of the depreciation expenditure of Rs.37,122,983 in the year under review.	-Do-	- Do -
(iii) Only Rs.30,000,000 had been adjusted instead of the interest income amounting to Rs.81,679,926 in the year under review.	- Do -	- Do -
(iv) Even if the increase of the receivables should have been Rs.50,809,972, it had been shown as Rs.51,740,408.	- Do -	- Do -
(v) Although a sum of Rs.127,257 had been shown as the increase in assessment received forward, such a change was not revealed in the audit.	- Do -	- Do -
(vi) Although the value of payables should be Rs. 191,054,983, it had been shown as a sum of Rs. 186,052,669.	- Do -	- Do -
(vii) A sum of Rs.183,478,253 had also been shown as a decrease in varied creditors while the change in the payables had been adjusted.	The actions will be taken to prepare correctly from the year 2024.	The proceedings should be done in line with the standard.

- (b) The following deficiencies prevailed in the calculation of cash flow gained from the investment activities in accordance with EG 6.3 of the explanations and guidelines in Chapter No. 3.29 of the Standard and its Appendix 2
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| (i) | Although the investment releases were Rs.45,772,818 in the year under review, it had been shown as Rs.1,500,000 and Rs.13,500,000. | The actions will be taken to prepare correctly from the year 2024. | The proceedings should be done in line with the standard. |
| (ii) | A sum of Rs.170,000,000 that had been invested in fixed deposits and the interest income of Rs.64,943,496 that had been received in the year under review had not been shown. | -Do- | -Do- |
| (iii) | A total of Rs.1,324,035 related to a land and library books that had been received as donations in the year under review had been shown as payments done in cash for the acquisition of property and plants. | -Do- | -Do- |
| (c) | The financial interest amounting to Rs.792,459 paid within the year under review had not been shown in the calculation of cash flow gained from the financial activities as per EG 6.4 of the explanations and guidelines in Chapter No. 3.30 of the Standard and its Appendix 2, and although the capital grants that had been received was Rs.10,481,642, it had been shown as a sum of Rs.11,404,241. | -Do- | -Do- |

1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Pradeshiya Sabha	Recommendations
(a) Although the item of relevant properties, plants and equipment should be credited when writing-off the creditors' over provisions of Rs.5,894,109 in the year under review for the projects of the Pradeshiya Sabha implemented in the year 2022, the accumulated fund had been credited.	The correction will be done when preparing the account 2024.	The account should be prepared correctly.
(b) The total comprehensive income of the year under review had been understated by a sum of Rs. 150,994,905.	-Do-	-Do-
(c) Two land lots received by the Pradeshiya Sabha during the auction of lands within the Pradeshiya Sabha area in the year under review had been capitalized. Although the approximate value of those two land lots should be Rs. 16,910,000 based on the minimum value for a perch in the auction of those land lots, the said two land lots had been assessed at a value of Rs. 1,100,000 and accounted by the Pradeshiya Sabha. Consequently, the land value had been less shown by a sum of Rs.15,810,000.	-Do-	-Do-

(d)	The fixed deposit interest receivable as at the end of the year under review had been overstated by Rs.59,171,479 and the fixed deposit balance had been understated by Rs. 106,439,287.	-Do-	-Do-
(e)	While a sum of Rs. 11,805,677 had been received as the grants for capital expenditure for property, plants and equipment in the year under review, an amount of Rs. 171,504,241 had been shown in the comprehensive income statement as receipts within the year.	The corrections will be done when preparing the account 2024.	The accounts should be prepared correctly.
(f)	A sum of Rs. 992,267 received by the Pradeshiya Sabha for a road repair in the year under review and the grants of Rs. 5,000,000 for the recurrent projects receivable as at the end of the year under review had not been accounted.	-Do-	-Do-
(g)	The Property, Plants and Equipment had been less accounted by Rs. 23,323,399 at 7 occasions.	-Do-	-Do-

1.6.3 Non-reconciled Control Accounts or Reports

Audit Observation	Comments of the Pradeshiya Sabha	Recommendations
There were mismatches amounting to Rs. 55,370,773 between the total of schedules /ledger accounts and balances of 13 accounts in the financial statements that should be presented with the financial statements in the year under review.	The actions will be taken to correct the documents.	The reasons for disparities should be examined and the actions should be taken to correct.

1.6.4 Absence of written evidences for the audit

Item	Amount Rs.	Audit Evidences not provided	Comments of the Pradeshiya Sabha	Recommendations
(a) Roads, Bridges and Culverts	174,399,205	Schedules	No answer has been given	The evidences for audit should be presented.
(b) Capital grants opening balance	177,978,177	Schedules	-Do-	-Do-
(c) Other equipment	4,169,914	Item category	The schedule has been annexed and the list will be presented later.	-Do-

(d)	Receivables – Other	19,975	Schedules	The proceedings will be done appropriately in the year 2024.	-Do-
(e)	Water creditors	80,825	Schedules and Time Analysis		-Do-
(f)	Warehouse issuances	51,444,451	Vouchers of Warehouse Issuances /Journal voucher schedules		-Do-

1.7 Non-compliance

1.7.1 Non-compliance with Laws, Rules and Regulations

The instances of non-compliance with Laws, Rules and Regulations are as given below.

	Reference to Laws, Rules and Regulations etc.	Non-compliance	Comments of the Pradeshiya Sabha	Recommendations
(a)	National Audit Act No.19 of 2018 - Section 38(2) of the Paragraph VII	A copy of the written review to be done by the Chief Accounting Officer; stating that an effective internal control system for financial control is being maintained and the effectiveness of the said system is reviewed periodically and accordingly the changes required to implement the system effectively have been done, had not been presented to the Auditor General.	A report on the review will be prepared and presented to the Auditor General.	The proceedings should be done according to the Act referred.
(b)	Financial Regulation of the Democratic Socialist Republic of Sri Lanka.			
(i)	F.R.104(3)	The preliminary inquiries about 06 vehicle accidents had not been done.	The actions will be taken to carry out the preliminary inquiries in future within the proper timeframe.	-Do-
(ii)	F.R.571	The deposits exceeded two years amounting to a total of Rs. 8,079,608 had not been settled.	The lists for the deposits that exceeded two years and have been included in the account.	-Do-

- (c) 3.1 of the Public Administration Circular No. 30/2016 dated 29 December 2016. The fuel consumption of 10 vehicles had not been examined. The fuel consumption test will be done in the year 2024. -Do-
- (d) Local Government Circular No. LGD/09/2019(I) dated 24 August 2020. The approval for loan limits regarding the loans of the employees had not been obtained annually as per the forms of the Advance "B" account of the Public Officers. It had been corrected in the budget prepared for the year 2024. -Do-

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December of the year under review amounted to 30,650,742as compared with the excess of recurrent expenditure over revenue amounted to Rs. 257,692,865 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated income, billed income, collected income and arrears of income

According to the information submitted by the Secretary, the particulars about the estimated income, billed income, collected income and arrears of income related to the year under review and the previous year are given below.

Income Source	Estimated income	2023			2022			Total deficit as at 31 December
		Billed income	Collected income	Total deficit as at 31 December	Estimated income	Billed income	Collected income	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	000'	000'	000'	000'	000'	000'	000'	000'
(i) Rates and Taxes	34,137	37,083	27,210	39,430	35,220	29,735	25,666	36,938
(ii) Rents	1,595	1,633	2,068	411	1,516	1,430	1,430	603
(iii) License Fee	965	2,466	2,466	-	1,110	1,180	1,180	-
(iv) Other income	642	537	467	115	1,131	220	692	179
	<u>37,339</u>	<u>41,719</u>	<u>32,211</u>	<u>39,956</u>	<u>38,977</u>	<u>32,565</u>	<u>28,968</u>	<u>37,720</u>

2.2.2 Performance of Revenue Collection

Audit Observation	Comments of the Pradeshiya Sabha	Recommendations
(a) Even if 112 percent of the total estimated income had been billed in the year under review, only 77 percent of the total billed income had been collected. Consequently, the estimating total income was not realistic.	No answer has been given.	The real estimates should be prepared.
(b) The billed income of rates and taxes in the year under review had been increased by Rs.2,946,000 over the estimated income. It was 8 percent of the estimated income.	The billed income is generally higher than the estimated income. Giving an exact estimation is difficult.	-Do-
(c) When comparing the billed income and the collected income of the other income in the year under review with the estimated income, the billed income had decreased by Rs.105,000 and the collected income by Rs.175,000. It was a decline of 16 and 27 percent respectively from the estimated income.	The details will be presented later subsequent to the examination.	The real estimates should be prepared.

2.2.3 Receivable and Payable Balances

Audit Observation	Comments of the Pradeshiya Sabha	Recommendations
(a) 32 advance balances of Rs.817,127 from the year 2000 to 2020 had not been settled.	Since it is difficult to find the information, a separate committee will be appointed for that and the appropriate action will be taken.	The actions should be taken to settle.
(b) 36 receivable balances of Rs.1,223,202 lasting from the year 2016 to the year 2021 had not been recovered and 84 payable balances of Rs.34,979,565 had not been settled.	The actions will be taken to settle when the accounts of the year 2024 are prepared.	-Do-

3. Operation Review

3.1 Fulfilling the tasks assigned by the Act

	Audit Observation	Comments of the Pradeshiya Sabha	Recommendations
(a)	Although the fees for the auditorium had been charged after gazetting the fees in the year 2023, a by-law had not been prepared for that matter.	The actions are being taken to prepare a by-law.	The arrangements should be made to prepare a by-law.
(b)	Although the fees had been gazetted for charging fees for aquarium stalls, no by-laws had been prepared and passed in respect of the deciding and administering the fees.	-Do-	-Do-
(c)	The by-laws had not been enacted in order to regulate the places of daily trades.	-Do-	-Do-
(d)	There were 102 public complaints received in the year 2023 and unresolved even by the date of audit; 24 January 2024.	The actions will be taken to resolve the complaints as best as possible.	Proper solutions should be given.

3.2 Management Inefficiencies

	Audit Observation	Comments of the Pradeshiya Sabha	Recommendations
(a)	The Pradeshiya Sabha had not done a survey in relation to the year 2023 to identify the institutions that should be given the environmental licences according to the Gazette Notice No. 2264/18 dated 27 January 2022.	A list of institutions to which the environmental licences should be provided will be prepared and the arrangements will be made to inform those institutions in sequence.	The institutions should be identified through a survey.
(b)	Although a total income of Rs.495,350 had been collected by renting out the motor grader and JCB machine in the year 2023, there were 03 instances where the fees were charged after providing the service without having approval. Also, there was an instance of charging fees for a 03-hour period, and however the way that period was verified could not be confirmed. Further, the accuracy of the income amounting to Rs. 219,600 received in 10 occasions could not be verified as running charts were not completed and whether those have been recorded in the running charts could also not be verified.	The matter will be examined and the actions will be taken to make corrections.	A right internal control should be introduced and implemented in respect of renting out the machines.
(c)	The billboards from which the fees can be charged had not been identified by carrying out a survey on advertising billboards.	The actions will be taken to identify the billboards by carrying out a survey.	The billboards from which the fees can be charged should be identified by a survey.

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| (d) | The advertisement fees had been gazetted for a lower value than the fee mentioned in the by-laws on advertisement fees in 06 occasions in the year 2023. | The details will be presented to the audit later after examining. | The proceedings should be done as per the By-law. |
| (e) | The sub-offices did not maintain the registers containing the details of hotels, restaurants, and lodgings registered in the Tourist Board as well as the hotels, restaurants, and lodgings not registered in the Tourist Board in the respective area, and a survey had also not been conducted on the same. | The actions will be taken to maintain a register from the year 2024 on the survey, registration and collection of license fees. | The arrangement should be made to collect the licence fees by doing a survey. |
| (f) | Only a total of Rs. 509,906 had been obtained from the year 2021 to 2023 since the 02 hotels registered in the Tourist Board belonging to Dewalapola and Udugampala sub-office area were allowed to pay the license fee to the Pradeshiya Sabha deciding the license fee according to the income of those hotels by obtaining the annual audited financial statements and without assessing the income in accordance with Finance Regulation 135 in contrast to the Section 149 of the Pradeshiya Sabha Act. | The fees will be collected in accordance with the 135 of the Finance Regulations in collecting the license fees for the year 2024. | The actions should be taken to collect the licence fees correctly. |

3.3 Operation Inefficiencies

Audit Observation	Comments of the Pradeshiya Sabha	Recommendations
(a) There was no access road to the Punchi Naiwalawatta public land situated in Naiwala and there was a risk of losing the rest of the land belonging to the Pradeshiya Sabha as a boundary to distinguish the private land from the public land could not be found.	It will be examined by the Technical Officer and the further proceedings will be done.	The assets belonging to the Pradeshiya Sabha should be identified correctly.
(b) The Viganamulla cemetery land, the Nilpanagoda Dolewatta land parcel belonged to the Pradeshiya Sabha and the land received by the Pradeshiya Sabha from the land auctioned by The Finance Company had been given to outside parties on a lease basis without a formal approval and without entering into agreement.	No answer has been given.	The tender procedure should be followed.

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| (c) | The actions had not been taken to amend the lease agreements and to enter into agreement according to the new circular when leasing 50 shop rooms of Mabodalakada in contrast to the provisions of Circular No. 1980/46 dated 31 December 1980 and Department of Local Government Circular Nos. LGD/13/2016 dated 09 November 2016 and No. LGD/13/2016(i) dated 03 December 2020 even though a period of more than 20 years had passed. | It is expected to proceed as per the Circulars on sub-leases of properties issued by the Local Government Authorities | The proceedings should be done as per the Circular. |
| (d) | Even if the lessee should not make any change or addition to the shop rooms or any part thereof without written permission of the Pradeshiya Sabha according to condition 34 of the agreement signed with the lessee, the Pradeshiya Sabha had not taken further actions regarding the removal of the middle walls of the shop rooms No. 07 and 08 of Udugampola and converting into a single room in contrast to above condition. | The removal of the wall has not affected in any manner to decline the income for this Pradeshiya Sabha. | The proper follow-ups should be carried out regarding the leased property. |
| (e) | Although the quantity of coconut trees had been numbered in the coconut land called Mabodala Gonamadewatta having an extent of 13 acres, 02 roods and 12.7 perches, which had been purchased for Rs. 32,500,000 on 24 October 2014, a calculation of the number of trees that produce the crops and any recoding on the quantity of production given had not been done. Consequently, it could not be satisfied that the income of Rs. 2,634,302 received from the year 2016 to the year 2023 was properly monitored and that the income was correct. | It has not been able to achieve the results in the year 2014 as expected at the time of preparing the project report. | The proceedings should be done according to the project report that had been presented for the purchase of the land. |

3.4 Human Resource Management

Audit Observation	Comments of the Pradeshiya Sabha	Recommendations
It was observed that there are 03 vacancies in 2 secondary level posts and 09 vacancies in 6 primary level posts in the staff of the Pradeshiya Sabha as at 31 December 2023.	The details have been sent for the approval to fill the vacancies and it has been informed to suspend all the recruitments temporarily until further notice after reviewing again.	The actions should be taken to manage the staff so as not to hinder the activities of the Pradeshiya Sabha.

4. Accountability and Good Governance

4.1 Presenting Financial Statements

Audit Observation	Comments of the Pradeshiya Sabha	Recommendations
<p>Although actions should be taken to prepare the accounts of the Pradeshiya Sabha in accordance with the Sri Lankan Public Sector Accounting standards for Local Government Authorities as per the Rule 8 of the accounting matters related to the financial administration of the Pradeshiya Sabha mentioned in Extraordinary Gazette No. 2155/7 dated 24 December 2019, and to present the account for each financial year to the Auditor General on or before 28 February of the following financial years, the financial statements of the Pradeshiya Sabha for the year under review had been presented to the Auditor General on 12 March 2024 with a delay of 12 days.</p>	<p>The account will be presented as at the due date in future.</p>	<p>The account should be presented as at due date.</p>