

Mawathagama Pradeshiya Sabha – 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Mawathagama 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 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 financial statements give a true and fair view of the financial position of the Mawathagama Pradeshiya Sabhaas 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 Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) Fixed deposit interest receivable in the year under review had been understated by Rs. 890,459.	Accurate calculation will be done in the future.	It should be accurately accounted for.
(b) Interest, dividend and bonus payments made during the year under review amounted to Rs.69,220 had not been shown in the year under review.	It has been omitted to be recorded to the income and expenditure account. It has been copied to the ledger while preparing the ledger accounts.	-do-
(c) Two lands with a value of Rs. 215,000 which had been handed over by the Sabha to an external institution had been shown in non-current assets.	Actions will be taken to exclude from the registry according to proper procedure.	-do-
(d) A land valued at Rs.200,000 had been stated as Rs.2,000,000 in the final account of the financial statement.	It was an error in giving the value and actions will be taken to correct in the future.	It should be accurately accounted for.
(e) Lands valued at Rs.18,590,000 had been accounted for twice.	Actions will be taken to correct in the future.	-do-
(f) The value of the safety fence at Sirimavo Bandaranaike Preschool had been understated by Rs.2,000,000.	This was an error in giving the value.	-do-

(g) The sum spent for the improvement of the Ayurveda Center building and the repair of the toilet system of the Mawathagama Public Market Complex during the year under review amounting to Rs.1,464,579 had not been capitalized.	Actions will be taken to correct.	-do-
(h) The value of fixed deposits as at 31 December of the year under review had been understated by Rs.7,529,060 in the financial statements.	The corrections will be made in the final account of the year 2024.	-do-
(i) The value of Pension Fund as at 31 December of the year under review had been understated by Rs. 372,473 in the financial statements.	-do-	-do-
(j) A sum of Rs.497,000 to be received from the Department Local Government as at 31 December of the year under review had not been accounted for.	The corrections will be made in the final account of the year 2024 .	-do-

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Secretary	Recommendation
(a) There was a difference of Rs.1,852,076 between the balances related to 05 accounting objects totalled Rs.424,680,555 in the financial statements and the balances shown in the schedules as at 31 December of the year under review.	The relevant corrections will be made in the future.	Actions should be taken to identify the reasons for the differences and correct.
(b) There was a difference of Rs. 9,302,000 between the balances related to 09 accounting objects totalled Rs. 3,921,950 in the financial statements and the balances shown in the Register of Fixed Assets as at 31 December of the year under review.	-do-	Actions should be taken to identify the reasons for the differences and correct.

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| (c) | There was a difference of Rs. 37,632,235 between the balances related to 20 motor vehicles and carts totalled Rs. 67,750,000 in the financial statements and the balances shown in the Register of Fixed Assets as at 31 December of the year under review. | Actions will be taken to correct the Register of Fixed Assets in the future. | Reasons for differences should be identified and corrected. |
| (d) | There was a difference of Rs.82,938 between the balances related to value of book removals in 08 libraries totalled Rs.144,753 in the financial statements and the value as per Board Survey Report on Disposals as at 31 December of the year under review. | Actions will be taken to correct in the future. | Reasons for differences should be identified and corrected. |

1.6.3 Failure to submit Information Required for audit

Audit Observation	Comments of the Secretary	Recommendation
Due to non-submission of required information on 14 accounting objects totalling to Rs.91,949,720 could not be satisfactorily verified in the audit.	The necessary information will be provided in the future.	The relevant confirmation should be submitted immediately.

1.7 Non-compliance

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

Reference to Laws, Rules, Regulations, Management Decisions etc.	Non-compliance	Comments of the Secretary	Recommendation	
Financial Regulations of the Democratic Socialist Republic of Sri Lanka	(i)F.R. 371 (3)	Actions had not been taken to settle the advances valued at Rs.110,894 by 31 December .	Actions will be taken to settle in the future.	Actions should be taken to settle the advance account by 31 December.

(ii)F.R. 1645 (a)	Vehicle logbooks had not been updated.	Actions will be taken to be recorded as per the prescribed form in the future.	Actions should be taken in terms of said Financial Regulation.
(iii)F.R. 1646	Running charts of 03 vehicles had not been submitted to audit.	All running charts will be rendered very quickly.	Actions should be taken in terms of said Financial Regulation.

**Public
Administration
Circulars**

(i)Circular No. 01/2002 dated 25 February 2002	State Emblem with the name of the institution had not been painted on 18 vehicles owned by the Sabha.	This will be done in the future with the approval of the committee to paint the State Emblem and the name of the institution on the vehicles owned by the Sabha.	Actions should be taken to mark the name of the institution with the State Emblem.
(ii)Paragraph 3(1) of Circular No. 30/2016 dated 29 December 2016	Actions had not been taken in respect of 16 vehicles belonging to the Local Authority as per the circular.	Actions will be taken to make aware the Local Government Mechanical Engineer that the fuel combustion test of several vehicles has been done so far, and for other vehicles to be done with his participation.	Actions should be taken in terms of the circular.

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.18,481,614 and the correspondence revenue that exceeded the recurrent expenditure of the preceding year was Rs. 6,042,306.

2.2 Revenue Administration

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

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	Year 2023				Year 2022			
	Estimated Revenue	Billed Revenue	Collectd Revenue	Total of Arrears as at 31 Decembe	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 Decemb
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates and Taxes	3,911	3,911	2,646	8,371	5,110	5,130	3,947	7,107
Rents	3,801	10,339	10,513	852	8,670	9,323	10,513	1,025
License Fees	500	500	640	-	600	217	217	-
Other Income	35,050	35,050	12,220	25,277	110,231	167,636	167,636	2,447
Total	43,262	49,800	26,019	34,500	124,611	182,306	182,313	10,579

2.2.2 Performance of Revenue Collection

Audit Observation	Comments of the Secretary	Recommendation
(a) The billed income was Rs.49 million in the year under review and a sum of Rs.26 million had been collected in the year under review, including the arrears of income related to the preceding years. A sum of Rs.34 million had remained to be recovered at the end of the year under review.	Actions are being taken to recover.	Actions should be taken without delay to recover arrears promptly.
(b) Actions had not been taken to recover an amount of Rs.5,469,681 from the arrears of rates and taxes amounting to Rs.7,106,829 and an amount of Rs.2,901,453 from the amount of billings of Rs.3,910,669 at the beginning of the year under review.	Actions are being taken to recover the arrears very quickly.	Actions should be taken without delay to recover arrears promptly.
(c) There was an arrears of acre tax of Rs.600,937 as at 31 December of the year under review.	Actions will be taken to submit to a survey panel about lease holders who does not pay lease rent.	Actions should be taken without delay to recover arrears promptly.
(d) Actions had not been taken to recover the arrears of shop rent and asset lease as at 31 December of the year under review amounting to Rs.756,972 .	Actions will be taken to recover in the future.	Actions should be taken without delay to recover arrears promptly.

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| (e) | The court fines and stamp fees that should have been received from the Secretary of the Provincial Council and other authorities as at 31 December 2023 were Rs. 229,208 and Rs. 73,102,407 respectively. | Actions will be taken to recover court fines and stamp duties. | Actions should be taken to inform the respective institutions and collect the receivables. |
| (f) | The Sabha had not taken actions to recover a sum of Rs.136,500 from 182 persons as three wheeler license fees for the year under review. | Actions will be taken to look into three-wheelers which did not obtain license and to issue licenses. | Actions should be taken to collect income receivable immediately. |

3. Operational Review

3.1 Performing of Tasks enacted by the Act.

Solid Waste Management

Audit Observation	Comments of the Secretary	Recommendation
Income from production and sale of compost had decreased by 44 percent and 52 percent respectively during the year under review as compared to last year.	The demand for fertilizers from the community has decreased.	Actions should be taken to increase income.

3.2 Management Inefficiencies

Audit Observation	Comments of the Secretary	Recommendation
Due to reasons such as retirement/transfer by the end of the year under review, actions had not been taken to recover Rs.299,243 from 14 officers.	Actions are being taken to recover.	Actions should be taken to recover the loan immediately.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Secretary	Recommendation
The 1 per cent tax recoverable in terms of Section 154(1) of the Local Authorities Act No. 15 of 1987 was Rs.1,258,520 on the estimated sale value of Matibokka Sunny Side Estate in extent of 03 acres 03 roods and 31.3 perches and a sum of Rs. 758,520 had remained outstanding as at the date of audit.	The respective institution will be notified in writing to recover arrears of tax.	Actions should be taken to recover tax money promptly.

3.4 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Secretary	Recommendation
(a) Even though a cab and tractor trailer belonging to the Sabha identified in 2015 and 2019 for the dispose of, the vehicles had not been disposed of during the year under review.	Actions will be taken to dispose.	Actions should be taken to dispose without delay.
(b) A tractor, a tricycle, a motorcycle and a tractor-tailor belonging to the Sabha have been inactive for a period between 04 months and 02 years and necessary actions had not been taken to repair and reuse or dispose of the said vehicles.	Actions will be taken to repair or dispose of.	Actions should be taken to promptly repair or dispose of.
(c) The ownership of the compactor car that was donated in 2004 had not been transferred to the Sabha and the vehicle was in dilapidated condition without being used in the Sabha premises for a long time.	It has been parked in the car park due to the fact that the Sabha did not receive any document of the vehicle or the book of the vehicle and due to the inability to maintain a vehicle in another institution.	Actions should be taken to be disposed of without delay or returned to the respective authorities.

3.5 Assets Management

Audit Observation	Comments of the Secretary	Recommendation
(a) It was observed that the 05 garbage carts/hand carts and 02 bicycles valued at Rs.163,340 included in the motor carts of the Sabhahad been physically unavailable.	Future actions will be taken by checking out these carts and bikes.	Actions should be taken by checking physical existence accordingly.
(b) The total value of Rs.39,210,000 related to 06 plots of land acquired by the Sabha during the year under review, had not been included in the Register of Fixed Assets.	Actions will be taken to enter the respective 06 plots of land in the Register of Fixed Assets.	It should be included immediately in the Register of Fixed Assets.
(c) The value of furniture, equipment and machinery equipment purchased by the Sabha amounting to Rs.402,900	Actions will be taken to be included in the inventory as	It should be included in the inventory without delay.

and Rs.168,450 respectively during the year under review, had not been entered in the Inventory Register. per the upcoming Board of Survey Report.

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| (d) | Actions had not been taken till the year under review to take over the ownership of 04 vehicles registered in the name of other organizations, to the Sabha. | Actions are being taken to take over. | Actions should be taken to take over without delay. |
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4. Accountability and Good Governance

4.1 Activities in Contrary to the Objectives

Audit Observation	Comments of the Secretary	Recommendation
(a) According to the Annual Action Plan (Sectorial Plan of the Industrial Sector), 15 projects had not been completed out of 17 projects and a provision of Rs. 94,200,000 had been made available in the Annual Budget for that purpose .	Because of the circulars on control of public money, the planned projects could not be implemented.	Actions should be taken to operate the affairs of the Sabha in accordance with the Action Plan.
(b) Even though 11 projects had to be executed as per Annual Action Plan (Sectorial Plan of Community Development Sector), 06 projects out of which had not been completed and a sum of Rs. 11,000,000 had been made available in the Annual Budget for that purpose.	Due to insufficient funds in the Sabha Fund, the projects could not be implemented.	Actions should be taken to operate the affairs of the Sabha in accordance with the Action Plan.