

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Medawachchiya Pradeshiya Sabha for the year ended 31 December 2024 comprising the Statement of assets and liabilities as at 31 December 2024 and the

Comprehensive Income Statement, Statement of changes in Equity / Net Assets, 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987. 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 Medawachchiya Pradeshiya Sabha as at 31 December 2024, 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

I expressed qualified opinion 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

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 all 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 on the preparation of Financial Statements

1.6.1 Unreconciled Control Accounts or Records

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Although the opening balance receivable for the new shopping mall was shown as Rs. 27,079,478 in the Statement of Assets and Liabilities, the value according to the Schedule was Rs. 26,779,078, resulting in a unreconcile of Rs. 300,400 in the opening balance, Also, the balance receivable at the end of the year under review was shown as Rs. 29,486,918 in the Statement of Assets and Liabilities, but as Rs. 29,190,518 in the Schedule, resulting in a unreconcile of Rs. 296,400 in the year-end balance.	Accepted.	Corresponding reports should be compared with schedules and corrected.
(b)	Although the rental income of the JCB machine in the year under review was Rs. 211,100, by the ledger account showed it as Rs. 255,500, resulting in a difference of Rs. 44,400.	Accepted.	-Do-
(c)	Although the previous income was stated as Rs. 6,365,076 in the statement of assets and liabilities for the year under review, it was stated as Rs. 6,326,120 in the ledger account, resulting in a difference of Rs. 38,956.	Accepted.	Corresponding reports should be compared with schedules and corrected.
(d)	Although the total tax receipts for the year ending December 31, 2024, as per the asset leasing register, were Rs. 2,210,250, there was a unreconcile of Rs. 50,100 as the comprehensive income statement showed an income of Rs. 2,260,350.	Accepted.	-Do-

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the non-submission of income documents and balance confirmations for 16 accounting subjects with a total value of Rs. 87,755,230, it was not possible to satisfactorily examine them during the audit.	Not commented.	Supporting written evidence must be submitted.

1.7 Non- Compliances

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
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R 396 (d) (i) (ii) (iii)	Action had not been taken in accordance with the regulations regarding cheques worth Rs. 37,863 which were over 06 months as at the end of the year under review.	Accepted.	Financial regulations must be followed.
(b) F.R 1645	Action had not been taken to conduct fuel checks, obtain vehicle revenue licenses and maintain monthly running summaries updated for 07 vehicles.	Accepted.	Financial regulations must be followed.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 7,182,590 as compared with the excess of revenue over expenditure amounted to Rs. 2,653,158 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 submitted by the Secretary, the estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

2024						2023			
	Source of Revenue	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	4,507,522	4,974,392	4,974,392	6,272,411	4,498,664	4,738,766	3,371,917	6,300,713
(ii)	Rent	24,016,541	17,868,876	10,042,728	35,710,352	33,136,907	16,578,785	8,298,358	35,796,001
(iii)	License fees	616,000	535,810	298,110	90,500	519,027	427,200	427,200	90,500
(iv)	Other Revenue	10,998,080	12,239,462	8,773,876	14,826,493	12,275,818	12,575,582	12,087,886	15,918,472
		-----	-----	-----	-----	-----	-----	-----	-----
		40,138,143	35,618,540	24,089,106	56,899,756	50,430,416	34,320,333	24,185,361	58,105,686
		-----	-----	-----	-----	-----	-----	-----	-----

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
(a) Rates and Taxes		
At the end of the year under review, there was arrears of rates amounting to Rs. 5,555,561 and the performance of rates revenue collection remained poor.	Accepted.	Action should be taken to collect the arrears of revenue.
(b) Rent		
At the end of the year under review, there was a total arrears amount of Rs. 30,377,989, consisting of Rs. 891,071 in respect of the 54 shops located in the public market complex of the sabha and Rs. 29,486,918 in respect of the 42 shops located in the new market complex.	Accepted.	Steps should be taken to recover arrears of rent promptly.
(c) Other Revenue		
(i) Court fines of Rs. 2,490,903 and stamp duty of Rs. 2,329,100, which were due to be received from the Chief Secretary of the Provincial Council and other authorities, had not been collected as at 31 st of December 2024.	That action will be taken to recover it.	Steps should be taken to identify relevant income in a timely manner.

(ii)	Out of the arrears tube well revenue of Rs.586,200 at the beginning of the year, about Rs. 32,000 was recovered during the year under review, leaving a further arrears tube well revenue of Rs. 554,200.	Accepted.	Action should be taken to collect the arrears of revenue.
------	---	-----------	---

3. Operational Review

3.1 Performing of Functions Enacted by the Act

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

Audit Observation	Comments of the Sabha	Recommendation
Under Section 126 of the Pradeshiya Sabha Act, by-laws could have been enacted to fulfill 30 main matters, but as at 31 st of December 2024, by-laws had not been enacted for those matters.	Accepted.	Action should be taken to enact by-laws.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
Although the agreements relating to the 54 shops in the trade complex had been cancelled, no new agreements had been entered into for them by the end of the year under review.	The agreements do not specify an expiration date and have been signed for a long term.	Arrangements should be made to enter into a contract.

3.3 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) During the inspection regarding the updating of information about the shops in the database system, although the sabha had 103 shops, the information regarding 98 shops was not updated in the Computer Software Database (CAT).	Accepted.	The database system needs to be updated.

(b)	The anti-residue water filtration system at the Pilisaru unit, which was constructed at a cost of Rs. 2,343,240 to the Water Supply Board in 2019, had not achieved its intended purpose due to its inoperability.	It was handed over to Galenbindunuwewa Pradeshiya Sabha.	Efforts should be made to implement it effectively.
(c)	A survey was conducted on notice boards in 2024 and the receivable revenue was not identified.	Accepted.	A survey of notice boards should be conducted and efforts should be made to identify the income.
(d)	Although Rs. 119,750 was due from 04 members since 2021 for providing machinery belonging to the sabha on loan, no steps had been taken to recover that amount.	Accepted.	Action should be taken to recover the arrears amount.

3.4 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
According to the letter dated 26th of September 2022, the water bowser worth Rs. 14,000,000 provided to the sabha by the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government had not been used for any purpose and was lying idle when of December 2024.	Steps have been taken to provide non-potable water.	Action should be made to use it effectively.

3.5 Management of Vehicle fleet

Audit Observation	Comments of the Sabha	Recommendation
(a) Although vehicles must be running with a valid revenue license, as at 31 st December 2024, 04 vehicles were still running without a valid revenue license.	Accepted.	Action should be taken to obtain vehicle revenue licenses.
(b) As at 31 st December 2024, no steps had been taken to obtain insurance licenses for 05 vehicles that were still running without a valid insurance license.	Accepted.	Steps should be taken to obtain insurance licenses.

4. Accountability and Good Governance

4.1. Annual Action Plan

Audit Observation

Although 10 projects worth Rs. 1,265,000 were planned to be implemented in the action plan for the year under review, these tasks had not been completed due to non-availability of the necessary financial provisions.

Comments of the Sabha

Provisions have been allocated in year of 2025 to carry out several of the activities that could not be carried out.

Recommendation

The planned tasks should be completed within the year.