Mihintale Pradeshiya Sabha – 2024

----

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Mihintale 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 Mihintale 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 Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Although the value of the buildings mentioned in the building schedule for the year under review was Rs. 201,379,771, the value of the buildings under property, plant and equipment was Rs. 202,524,771, which was overstaed Rs. 1,145,000.	That will work to correct it in the future.	The fixed assets owned by the institution must be accurately written down and the same value must be accounted for and shown in the financial statements.
(b)	The value of the motor vehicle additions during the year under review amounted to Rs. 9,034,000 and the Capital Grant Account was credited with Rs. 15,279,536, an excess of Rs. 6,245,536.	Action will be taken to correct it.	Action must be taken to correct it.
(c)	Although Rs. 10,444,074 was credited to the Capital Grant Account for the year under review for the acquisition of machinery, the financial statement showed a less of Rs. 751,712 under property, plant and equipment as Rs. 9,692,362.	That they will work to correct it through journal entries.	-Do-
(d)	Although the annual income of the preschool in the year under review was stated as Rs. 1,340,550 in the financial statements, according to the institution's preschool fee register, the income was Rs. 1,110,500 and Rs. 230,050 was recognized as excess of revenue.	That steps will be taken to account for the next year's journal entries.	-Do-

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
As at 31st December of the year under review, the disaster loan balance as per the trial balance was Rs. 1,756,959 and as per the disaster loan schedule, the balance was Rs. 1,419,220, a difference of Rs. 337,739.	The disaster loan balance of officers currently serving in the Pradeshiya Sabha should be added to the loan balance of transferred and deceased officers.	Corresponding reports should be compared with schedules and corrected.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of expenditure over Revenue of the Sabha for the year ended 31 December 2024 amounted to Rs. 5,623,615 as compared with the excess of expenditure over revenue amounted to Rs. 1,613,198 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	1,261,800	1,261,800	1,396,550	101,844	1,280,200	1,674,260	1,674,260	101,844
(ii)	Rent	16,509,914	10,829,916	12,232,882	1,861,111	10,368,103	15,329,120	1,417,169	16,018,600
(iii)	License fees	958,550	958,550	1,060,890	1,178,920	225,100	635,813	634,308	60,005
(iv)	Other Revenue	7,157,400	7,157,400	11,104,100	14,742,607	4,359,850	19,025,959	17,865,420	7,153,108
		25,887,664	20,207,666	25,794,422	17,884,482	16,233,253	36,665,152	21,591,157	23,333,557

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Sabha are given below.

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The sabha had also failed in 2024 to recover the garbage tax arrears of Rs. 101,844 that had accrued since 2019.	The institutions have refused to pay these arrears due to non-collection of garbage since 2020, and they will recover the arrears once garbage collection begins in the future.	Action should be taken to recover the arrears amount.
(b)	**Shop Rent**		
	As at 31st December 2024, shop rent of Rs. 1,332,758 had not been collected.	The trend in rental income collection in 2024 has been very high compared to the previous year.	Action should be taken to recover the arrears amount.
(c)	**Other Revenue**		
(i)	Although 68 institutions were supposed to receive Rs. 1,943,660 in notice board revenue, only Rs. 784,510 had been collected in the year 2024.	Action will be taken to recover arrears of fees in the future.	The year's revenue, including arrears, must be collected promptly.
(ii)	The court fines of Rs. 1,350,000 and stamp duty of Rs. 1,350,000 that were receivable on 31st of December 2024, had not been collected from the Chief Secretary of the Provincial Council and other authorities.	-Do-	Action should be taken to recover 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 3of 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 carry out 30 main matters, but by-laws had not been enacted for those matters as at 31st December 2024.	Action will be taken to prepare and enact by-laws as needed in the future.	Action should be taken to enact by-laws.

3.2 Management Inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(i)	The sabha's management had neglected to repair and secure the CCTV camera system installed at a cost of Rs. 163,000 in 2020.	That work is being done to repair it.	It should be repaired and put into use.
(ii)	As at 1st of January 2024, an arrears of notice board revenue of Rs. 956,150 was to be recovered, but the Sabha did not take action to recover that arrears in the year 2024 and decided to cut off that arrears in accordance with the Administrative Committee decision No. MI/PS/2024/10/29/352.	The institutions have been notified in writing to recover the outstanding amounts and cases have been filed with the Mediation Board against the institutions that have not paid the amounts.	The arrears of revenue must be recovered.

3.3 Assets Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	According to the 2024 board of Survey Report, there was a shortage of 42 balances of 27 types of commodities.	Not commented.	There should be no discrepancy between the physical balance and the inventory registers.
(b)	As there was no adequate garage for parking vehicles within the sabha, many vehicles were parked unsafely throughout the sabha premises.	An estimate has been prepared for the construction of an adequate garage and submitted to the Department of Local Government, and further work will be carried out after approval is received.	A formal system should be developed for parking vehicles.
(c)	Tires removed from vehicles were piled up in an unsafe manner, causing water to collect.	It has been referred to the 2025 board of Survey dispose Committee.	Arrangements should be made for proper storage.

3.4 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
Although a transfer policy should be implemented to transfer officers who have been in one place of work for more than 05 years, the annual transfer policy had not been implemented for 13 officers and employees of the Sabha.	Accepted.	A transfer policy should be implemented.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation	Comments of the Sabha	Recommendation
Although Gazette No. 2182/39 dated July 03, 2020, containing orders relating to the financial administration of local government institutions, requires the accounts for one financial year to be submitted to the Auditor General on or before 28th of February of the following financial year, the financial statements relating to the year 2024 were submitted to the audit on 11th of April 2025.	Due to illness of the Assistant Accounts Officer, it has been impossible to submit the financial statements on the due date.	Action should be taken in accordance with the Gazette.

4.2 Environmental Problems

Audit Observation	Comments of the Sabha	Recommendation
Although it is the duty of the Pradeshiya Sabha to take all necessary steps to the extent possible regarding the treatment of garbage within its area in accordance with Section 93 of the Pradeshiya Sabha Act No. 15 of 1987, the Pradeshiya Sabha had not taken the necessary steps to dispose of the garbage on the streets and the garbage in the houses.	As soon as the work at the garbage yard is completed, the garbage will be collected and disposed of properly.	Action should be taken in accordance with the Pradeshiya Sabha Act.