

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Thawalama Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Statement of financial position as at 31 December 2024, Statement of Financial Operations, Statement of changes in 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 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 Thawalama Pradeshiya Sabha as at 31 December 2024, 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 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 Generally accepted Accounting Practices 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 (1)16 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 include 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	Comment of the Sabha	Recommendation
(a)	The value of other inventory items had been overstated by Rs. 143,712 as at 31 December of the year under review.	Will be corrected in the future.	The double entry of inventory items should be corrected.
(b)	The stamp fees income of Rs. 4.03 million received in the year under review for the years 2022 and 2023 was accounted as income of the year, and the total amount of Rs. 3.16 million, which had been identified as stamp fees receivable for the years 2015 and 2016, had not been shown as a receivable balance in the accounts.	The action will be taken to correct it in the future.	Accounting should be done on an accrual basis.
(c)	The amount of Rs. 333,393 received for the construction of the passenger shelter and the expenditure of Rs.322,638 for that action had not been shown as Capital Assistance and capital expenditure respectively.	Agree with the audit observation.	Capital grants and capital expenditures should be accurately identified and accounted.
(d)	The income for the year was overstated by that amount due to the court fine of Rs. 282,924 due for the months of November and December 2023, which was recorded as income for the year under review.	The action will be taken to correct it in the future.	The income should be accurately identified and accounted.

1.6.2 Non reconciled control account

	Audit Observation	Comment of the Sabha	Recommendation
(a)	There was a difference of Rs.394,404 between the balances relating to 04 accounting items shown in the financial statements and the balances shown in the relevant supporting documents as at 31 December of the year under review.	The action will be taken to correct it in the future.	The reasons for the difference should be identified and corrected.
(b)	Although the value of fixed assets should be equal to the contribution to capital account from income and the contribution to capital account from grants, there was a difference of Rs. 92,879.	This difference is coming from long period of time and that the reasons for the change will be investigated and corrected.	The reasons for the difference should be identified and corrected.

1.6.3 Suspense Accounts

Audit Observation	Comment of the Sabha	Recommendation
Action had not been taken in the year under review to settle the debit balance in the suspense account of Rs.16,477, which had been coming since from the year 2013.	Since the documents relating to years prior to 2013 are not clear, it is problematic to resolve them, and action will be taken to correct them in the future.	The balance in the suspense account should be settled promptly.

1.6.4 Documentary evidence not made available for Audit

Audit Observation	Comment of the Sabha	Recommendation
Due to the failure to submit detailed schedules, it was not possible to satisfactorily examine 04 account balances with a total value of Rs.83,371.	The outstanding balances for more than 10 years have been referred to the Governor for write-off and that will be corrected once the decision will be made.	The relevant schedules should be submitted to the audit to verify the balances related to the accounting items.

1.7 Non-compliances

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

Non-compliance with laws, rules, regulations and management decisions are shown below.

Reference to Laws, Rules, Regulation	Non-Compliance	Comment of the Sabha	Recommendation
The Section 17(3) of the Pradeshiya Sabha Act, No. 15 of 1987	Although all the properties of the Sabha should be administered and utilized for the purposes of the Revenue Act, 31 lands owned by the Sabha remained idle, contrary to that.	Although it has been identified that these lands belong to the Sabha, many of the lands are small plots of land with wells, so they cannot be used for other purposes.	Action should be taken in accordance with the provisions of the Act.

2. Financial Review

2.1 Financial results

According to the financial statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2024 amounted to Rs. 79,904 as against with the excess of revenue over recurrent expenditure amounting to Rs. 324,491 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 following is the information on estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year.

2024						2023				
Source of Revenue	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December		Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.	
(i) Rates and Taxes	654,479	719,958	818,610	153,601		639,840	666,734	716,150	252,252	
(ii) Rent	4,699,790	1,859,771	1,884,091	94,171		4,162,190	2,011,045	2,144,711	118,491	
(iii) License Fees	422,800	405,394	405,394	8,800		395,780	541,969	541,969	8,800	
(iv) Other revenue	4,267,500	5,404,496	5,404,496	6,000		2,236,500	4,658,677	4,658,677	6,000	
	-----	-----	-----	-----		-----	-----	-----	-----	
	10,044,569	8,389,619	8,512,591	262,572		7,434,310	7,878,425	8,061,507	385,543	
	=====	=====	=====	=====		=====	=====	=====	=====	

2.2.2 Performance in Revenue Collection

.Observations related to performance in revenue collection of the Sabha are given below

	Audit Observation	Comment of the Sabha	Recommendation
(a)	The total revenue outstanding as at January 1 of the year was Rs.385,543 and at the end of the year it was a balance of Rs.262,571.	Action have been taken to recover this outstanding balance by filing a lawsuit.	An appropriate program should be established promptly to recover outstanding balances without delay and the outstanding balances should be recovered accordingly.
(b)	As at 31 December 2024, 32 institutions that were required to obtain environmental licenses had not obtained licenses, and 04 institutions had not renewed their licenses. Also, the Sabha had lost Rs. 202,500 in license fees and Rs. 135,000 in inspection fees.	The necessary action will be taken to issue licenses for all industries in this year.	Action should be taken promptly issue environmental protection permits to industries that are required to obtain them in accordance with the Environment Act.
(c)	The court fines due from the Chief Secretary of the Provincial Council and other authorities as at 31 December of the year under review were Rs. 1,171,628 and stamp fees were Rs. 25,581.	The action will be taken to correct it in the future.	Action should be taken to identify and recover balances that are actually due.

3. Operational Review

3.1 Performing the functions assigned 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	Comment of the Sabha	Recommendation
No formal program had been implemented for waste management, and the monthly waste, both biodegradable and non-biodegradable, was buried in a section at the back of the market grounds.	Action will underway with the Divisional Secretariat to obtain a necessary land for waste management.	A specific program for waste management should be developed urgently.

3.2 Identified Losses

Audit Observation	Comment of the Sabha	Recommendation
The action had not been taken to take over the cab, which cost Rs.6.39 million, received in the year 2014. This cab was completely damaged in 2022, however until 31 December 2024, insurance compensation had not been received in relation to the accident and action had not been taken to recover the damage from the responsible parties.	All necessary actions have been taken to obtain insurance compensation.	Urgent action should be taken to acquire the cab to the Sabha and include it in fixed assets, obtain insurance compensation and recover the losses incurred from the relevant parties.

3.3 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
The engine of the tractor, valued at Rs.2.66 million, received from the Ministry of Provincial Councils and Local Government in the year 2014, had been inoperative since 2016 and had been driven for less than 1000 km.	The main reason for the delay in maintenance was the high cost of maintenance and the lack of sufficient funds in the Sabha fund.	The tractor should be repaired or appropriate action should be taken.