

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Mahara Pradeshiya Sabha for the year ended 31 December 2024 comprising the Statement of Assets and Liabilities as at 31 December 2024, Statement of Comprehensive Income, Statement of Changes in Net Assets/Equity, 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 Sub-Section 10 (1) of the National Audit Act No.19 of 2018. My comments and observations which I consider should be reported 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 Mahara Pradeshiya Sabha as at 31 December 2024, and of its financial performance and 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 regarding the financial statements 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 the Sub-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 to be prepared.

#### **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:

- Identified and assessed 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.
- 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 is 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.

## 1.4 Report on Other Legal Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

## 1.6 Audit Observations on the preparation of Financial Statements

### 1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The suspense account balance of Rs. 22,821 brought forward since the year 2023 had not been rectified during the year under review.	Action will be taken to rectify it through the financial statements of the year 2025.	Action should be taken to identify and rectify the balance.
(b) As at 31 December 2024, the balance of the statement of changes in equity amounted to Rs. 1,334,579,803, whereas the net assets/equity shown in the statement of financial position as at that date amounted to Rs. 1,334,724,999, resulting in a difference of Rs. 145,196, indicating that the statement of financial position had not been balanced.	It is kindly informed that action will be taken to rectify it through the financial statements of the year 2025.	Action should be taken to balance the statement of assets and liabilities

### 1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
A discrepancy of Rs. 55,901,826 was observed between 10 account balances included in the financial statements of the year under review and the related subsidiary records.	Correct schedules will be submitted through the final accounts of the year 2025.	Action should be taken to identify and rectify the discrepancies.

## 1.7. Non-compliance

### 1.7.1 Non –compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions mention as follows;

	<b>Reference to Laws, Rules, Regulations</b>	<b>Non-compliance</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	Rules No. 83 (II) relating to accounting activities in the financial administration of the Pradeshiya Sabha.	A separate deposit account had not been maintained for staff loans granted to the officers and employees of the Pradeshiya Sabha.	Action will be taken to maintain a separate advance account in the future.	A separate advance account should be maintained.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka.			
i	396	Action had not been taken in terms of the relevant regulations in respect of 19 cheques amounting to Rs. 175,991 that had become expire.	It is kindly informed that necessary action will be taken in this regard.	Action should be taken in accordance with the Financial Regulations.
ii	571	Deposits amounting to Rs. 2,650,036 relating to 838 deposits under 3 categories that had been outstanding for more than 2 years had not been settled.	It is kindly informed that necessary action will be taken in the future in this regard.	Action should be taken in accordance with the Financial Regulations
iii	189	Action had not been taken in terms of the Financial Regulations in respect of dishonored cheques amounting to Rs. 11,800.	It is kindly informed that necessary action will be taken in the future in this regard.	Action should be taken in accordance with the Financial Regulations

## 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.72,517,881 against the excess of revenue over expenditure amounted to Rs.98,414,694 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 presented by the Secretary, estimated revenue, revenue billed, revenue collected and arrears relevant to the year under review and the previous year are shown below.

2024					2023				
Source of Revenue	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Rates and Taxes	86,791	81,602	85,125	139,696	87,729	83,279	56,865	130,967	
Rentals	5,640	4,655	5,602	113	5,112	4,320	4,266	183	
Licence Fees	2,228	1,604	1,604	—	2,230	1,633	1,633	—	
Other Revenue	406,853	-	440,919	—	27,549	-	32,672	-	
Total	<u>501,512</u>	<u>87,861</u>	<u>533,250</u>	<u>139,809</u>	<u>122,620</u>	<u>89,232</u>	<u>95,436</u>	<u>131,150</u>	

### 2.2.2 Performance of Revenue Collection

The observation relevant to the Performance of Revenue Collection as follows;

Audit Observation	Comments of the Sabha	Recommendation
(a) As at 31 December of the year under review, arrears of rates revenue amounting to Rs. 138,657,542 were recoverable.	It was reported that continuous mobile services and field collection activities had been carried out to recover these arrears.	Action should be taken to recover the arrears of taxes.
(b) Although the billed revenue for the year under review amounted to Rs. 81,602,445, the amount collected for the year was Rs. 36,747,654. Accordingly, the collection represented a low percentage of 45 of the billed revenue.	As at 31 March 2023, a sum of Rs. 18,652,581, representing 23 percent of the annual billing, had been recovered.	Action should be taken to carry out billing accurately and to collect the revenue properly.
(c) As at the end of the year under review, schedules had not been prepared in respect of court fines recoverable from three Magistrate Courts for the years 2020 to 2024.	It was reported that information pertaining to the years 2023 and 2024 is being obtained from the respective police stations.	Action should be taken to prepare the schedules and collect the revenue.

(d)	As at the end of the year under review, schedules in respect of stamp fees recoverable from six Land Registry Offices for the years 2022 to 2024 had not been prepared.	The preparation of schedules relating to the Gampaha Land Registry Office for the year 2023 had been completed in the year 2024, and the collection of stamp fees for the year 2024 is currently in progress.	Action should be taken to prepare the schedules and collect the revenue.
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#### 4. Operational Review

##### 3.1 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) According to Section 21(3) of the Rent Act No. 7 of 1972, a total deposit of Rs. 625,258 made by 34 landlords from 1989 to December 2023 should have been paid to the respective landlords. However, these deposits had not been paid and had been retained in the deposit register for many years.	It was reported that the deposits had been retained in the deposit account due to the landlords not making claims for the deposited amounts.	Action should be taken to pay the deposited money to the respective deposit holders.
(b) Although a fingerprint machine was available in the Sabha to record the attendance and departures of officers, it was observed that the officers had not marked their fingerprints in the machine when leaving the office after attending the Planning Committee meetings. Further, only signatures had been placed in the Planning Committee decision book without indicating the times of arrival and departure of the officers who participated in the meetings.	It was reported that from the end of February 2025, the officers of the Sabha participating in the Planning Committee meetings record their departure through the fingerprint machine when leaving the office after the conclusion of the meetings.	Attendance and departure should be recorded in the fingerprint machine.

##### 3.2 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
(a) As at the end of the year under review, it was observed that the Sabha was in possession of 171 plots of land. However, written documents confirming the ownership of 2 of those lands had not been submitted, and title deeds were not available for a further 97 lands. Consequently, it was observed that there is a risk of those lands being used by	It was reported that at present, since a considerable amount of money has to be spent for the preparation of a single title deed, action is being taken to conduct land surveys and prepare title deeds in accordance with the annual budgetary provisions.	Action should be taken to keep evidence to assure the ownership of assets.

unauthorized persons or being illegally acquired.

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| (b) | As at 15 January 2025, the ownership of 37 cemeteries maintained by the Sabha and 4 crematorium lands valued at Rs. 21,000,000 had not been legally vested in the Sabha.   | It was reported that payments had been made by the Mahara Pradeshia Sabha to the Department of Survey for surveying the 37 cemeteries in order to take over their ownership.   | Action should be taken to legally vest the ownership of the lands.   |
| (c) | Action had not been taken to transfer the ownership of the Foton backhoe machine valued at Rs. 3,500,000 received from the Peliyagoda Urban Council.   | It was reported that the necessary documents required for the transfer of ownership had been submitted to the office of the Commissioner of Motor Traffic.   | Action should be taken to transfer the ownership.                    |
| (d) | According to the board of survey report of the Mahara Sub-office as at 31 December 2024, the laptop computer recorded in the inventory register had not been produced for the board of survey, and no further investigation had been carried out in this regard.   | It was reported that the relevant officer had taken the laptop computer home, and on the same night, burglars had entered his house and stolen the laptop along with other belongings. It was further reported that the officer in charge had lodged a complaint regarding the incident at the Yakkala Police Station on 03 February 2024. | Action should be taken in accordance with the Financial Regulations. |
| (e) | According to the board of survey report, it was observed that 1,052 books valued at Rs. 244,758 belonging to seven libraries of the Mahara Pradeshia Sabha had been misplaced. However, action had not been taken in accordance with Financial Regulations 103 and 104 in respect of the said loss and damage. | Action had not been taken in terms of Financial Regulations 103 and 104 in respect of the said loss and damage.  | Action should be taken in accordance with the Financial Regulations. |

### 3.3 Defects in Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
(a) An expenditure of Rs. 430,155 had been incurred for the construction of a room measuring 17.4 feet in length and 10 feet in width adjoining the existing building of the Kandaliyadda Library. However, as the floor had not been concreted and the room was therefore not in a usable condition, the above expenditure had become a fruitless expenditure.	It was reported that under the Public Fund Grant of Rs. 710,000 allocated in the year 2024, the Kandaliyadda Pahaluwatta East Maithree Senior Citizens' Organization had completed the construction work, and the relevant building is currently being used.	Action should be taken to bring the assets to a usable condition.

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| (b) | An estimated sum of Rs. 1,200,000 had been allocated for the renovation of the Delgahalanda Community Hall located in the Sivrumulla Grama Niladhari Division. The roofing and other construction works of the hall had been carried out by the Divisional Secretariat Office, and asbestos sheets had been fixed for the roof. However, since doors and windows had not been installed, the building was still not in a usable condition.  | It was reported that provisions will be allocated in the year 2025 to complete the remaining work and make the building usable.  | Action should be taken to bring the assets to a usable condition |
| (c) | Under the decentralized budget proposals for the year 2024, provisions amounting to Rs. 900,000 had been received for the construction of a room with a wire fence enclosure for the Aramangoda Service Centre building. According to the prepared estimate, under Item No. 13 for slabs, beams, lintels, and columns, 5.31 kg of binding wire at a unit price of Rs. 2,671 per kg had been estimated. However, according to the payment report, 118.86 kg had been used for this item. Accordingly, 113.55 kg had been used in excess of the estimated quantity, resulting in an overpayment of Rs. 57,115 compared to the estimated amount for this item. | It was reported that additional binding wires had to be used in essential areas during the construction work, resulting in the use of a higher quantity than estimated. Further, as the payments for that portion had exceeded the estimated amount, the remaining work had been completed by the society using their own funds. | Estimates should be prepared accurately.                         |
| (d) | An expenditure of Rs. 854,788 had been incurred for the roof renovation of the Amunukumbura South Eksathgama Community Hall, while the estimated cost of the project amounted to Rs. 855,141. However, the value of this community hall had not been included in the financial statements.  | A reply had not been furnished in this regard.   | Assets should be identified and accounted for.                   |



### 3.4 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
(a) There were 21 vacancies in 11 posts of the Sabha. .	It was reported that although the relevant application forms for obtaining approval to fill the vacancies in the approved staff had been forwarded to the Commissioner of Local Government, recruitment could not be carried out due to the suspension of recruitments.	Action should be taken to fill the vacancies.
(b) Action had not been taken in respect of 11 officers who had served for periods ranging from 6 to 15 years without being transferred once in every 5 years, in terms of the Public Administration Circular No. 18/2001 dated 22 August 2001	It was reported that due to the absence of officers to cover the duties of those whose successors had not yet reported for duty, it was not possible to release those officers to their new places of work until their successors are transferred to the Sabha.	Action should be taken in accordance with the Circular.

### 3.5 Vehicle Utilization

Audit Observation	Comments of the Sabha	Recommendation
A Kubota hand tractor belonging to the Sabha, the value of which could not be ascertained, had been out of use since 2015. Although it had been decided to dispose of the vehicle, such action had not been taken up to the end of the year under review.	It was reported that although the Mechanical Engineer had recommended that the tractor be auctioned as it was not in running condition, the assessed value was observed to be comparatively inadequate in relation to market prices. Therefore, the matter will be submitted to the next General Council meeting, and appropriate action will be taken based on the decision made thereon.	Action should be taken either to repair or to dispose of it.