

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Mirigama 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 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 Mirigama 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 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 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:

- Identified and assess the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed 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 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. Non-Compliance with Sri Lanka Public Sector Accounting Standards for Local authorities

Non Compliance with the reference to particular Standard	Comments of the Sabha	Recommendation
(a) Although the financial statements should be prepared on an accrual basis in accordance with paragraph 2.5 of Chapter 2 of the Standard and Rule No. 90 on Accounting Matters Relating to the Financial Administration of Pradeshiya Sabhas, the court fines and stamp duty received during the year under review for previous years amounting to Rs.13,898,264 and Rs. 105,469,302 respectively had been accounted for as revenue in the year under review.	That will be corrected in the 2025 account.	Should be accounted correctly.
(b) While preparing the cash flow statement, it was observed that while calculating the net cash flow from operating activities in accordance with paragraphs 3.31 and 3.29 of Chapter 3 of the standard, the depreciation value to be adjusted for surplus was Rs. 55,795,811 but was adjusted as Rs. 57,118,364, the loss on sale of assets was Rs. 493,878 and fixed deposit interest income was Rs. 6,474,134 was not adjusted and the fixed deposit interest income was Rs. 4,768,323 was not adjusted for the net cash flow from investing activities.	That will be corrected in the 2025 account.	The shortcomings referred to in the paragraph should be corrected.

1.6.2. Accounting Deficiencies

Audit Observation	Comments of the Recommendation Sabha
(a) During the adjustment of industrial debtors' provisions amounting to Rs. 773,628 in the year under review, the accumulated fund was debited instead of the capital grant account.	That action will be done to correct the 2025 account. Should be accounted correctly.
(b) When correcting the value of a building valued at Rs. 3,915,750, which was stated as road bridges and culverts, the depreciation of Rs. 1,174,725, which had been accounted for in relation to it, had not been debited from the Roads, Bridges and Culverts Depreciation Allocation Account and credited to the Accumulated Fund.	That action will be done to correct the 2025 account. Should be accounted correctly.
(c) When accounting for the depreciation value of Rs. 2,697,111 of 2 buildings that had not been accounted for, the Reserves and Allocation Account had been debited instead of debiting the Accumulated Fund.	That action will be done to correct the 2025 account. Should be accounted correctly.
(d) The value of building construction and renovations was Rs. 8,959,169 for roads, bridges, and culverts, while a building value of Rs. 1,838,287 was shown as expenses.	That action will be done to correct the 2025 account. Should be accounted correctly.
(e) The payable retention amount of Rs. 438,512 had not been accounted for as a building and industrial creditor.	That action will be done to correct the 2025 account. Should be accounted correctly.
(f) According to the asset survey report, the value of Rs. 62,000 which was stated to be a road, had been accounted for as land.	That action will be done to correct the 2025 account. Should be accounted correctly.
(g) In relation to the year under review, assessment balance corrections of Rs. 49,907 were made by debiting the accumulated fund instead of debiting the assessment account, and assessment billing corrections of Rs. 83,499 were made by crediting the accumulated fund instead of crediting the assessment account.	The accumulated fund debits are Rs. 49,907 and credits are Rs. 83,499. Should be accounted correctly.

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

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions as follows.

Reference to Laws, Rules Regulations and Management Decisions	Non-compliance	Comments of the Sabha	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka 371	Action had not been taken to settle the outstanding advance balance of Rs. 5,407,709 which existed from the year 1991 to the year 2010.	The relevant information cannot be found.	Need to find out the information and pay the advance.

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. 69,512,208 as compared with the excess of revenue over expenditure amounted to Rs. 34,416,743 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	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
(i)	Rates and Taxes	19,280	18,939	16,992	8,438	15,019	14,297	9,642	7,130
(ii)	Rent	38,903	43,838	34,458	15,274	30,101	33,172	33,959	6,033
(iii)	License fees	2,350	1,981	1,975	66	2,150	2,318	1,771	60
(iv)	Other Revenue	23,290	25,244	23,568	896	34,442	30,541	30,559	0
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		83,823	90,002	76,993	24,674	81,712	80,328	75,931	13,223

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)	Rates and Taxes		
(i)	According to the arrears rates age analysis report as of the end of the year under review, the balance of Rs. 8,688,388 was Rs. 1,264,364 for more than 10 years, Rs. 2,790,961 for between 5 and 10 years, Rs. 664,475 for between 3 and 5 years, Rs. 1,569,230 for between 1 and 3 years, and Rs. 2,399,358 for less than one year.	That 13 percent, 24 percent, 38 percent and 31 percent of the arrears in the sub-offices have been collected as at 19 May 2025.	The arrears of rates income must be collected.
(ii)	The progress in collections had been low at 45 percent due to the collection of Rs. 26,293 during the year from the acreage tax balance of Rs. 57,882 as at the beginning of the year under review and the collection of Rs. 14,681 out of the billings of Rs. 32,582 during the year.	That 13 percent, 24 percent, 38 percent and 31 percent of the arrears in the sub-offices have been collected as at 19 May 2025.	The arrears of acreage tax revenue should be collected.
(b)	Rent		
(i)	Out of the outstanding stall rent balance of Rs. 14,526,725, Rs. 7,288,325 was between 1 and 3 years and Rs. 7,238,400 was less than 1 year.	That the collection will be carried out after the assessment revision and the work will be done according to the agreement.	Arrears of rent should be collected.
(ii)	The outstanding tender rent of Rs. 659,156 from the butcher and fish shop, which has been in existence for a period of 5 years, had not been recovered.	Tenderers have been informed that legal action will be taken.	The outstanding tender rental income should be collected.
(c)	License Fees		
	The outstanding industrial tax balance of Rs. 44,330 had been outstanding for more than 10 years and the outstanding trade license balance of Rs. 59,725 had been outstanding for more than 14 years but had not been recovered.	That action will be taken to recover it.	Arrears of industrial taxes and trade license revenues should be collected.

(d) **Other Revenue**

No action had been taken to recover court fines for years after 2020.	That action will be taken to recover it in the future.	Court fines should be collected.
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3 **Operational Inefficiencies**

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
(a) Out of 576 public complaints received, only 288 complaints were being resolved.	288 complaints have been completed.	All public complaints should be resolved.
(b) Although crematoriums have been included in Part (c) of the Schedule as specified in the Extraordinary Gazette No. 2264/18 dated 27 January 2022, in terms of the powers conferred under Section 23(a) of the National Environment Act, No. 56 of 1980 (as amended), an environmental license crematorium maintained by the Sabha.	The lack of a title deed to the land has become a problem.	The problem should be resolved and the environmental license should be obtained.

3.2 **Management Inefficiencies**

Audit Observation	Comments of the Sabha	Recommendation
(a) According to the Industrial Debtors age Analysis Report, the balance as of the end of the year under review was Rs. 25,865,515, of which Rs. 3,359,621 was between years 5 and 10, Rs. 995,000 between years 3 and 5, and Rs. 286,847 between years 1 and 3.	Rs. 2,083,845 has been collected.	Action should be taken to recover or settle debtors balances.

(b)	According to the Industrial Creditors age Analysis Report, the balance as of the end of the year under review was Rs. 33,186,861, of which Rs. 3,873,354 was between 5 and 10 years, Rs. 1,781,029 was between 3 and 5 years, Rs. 533,431 was between 1 and 3 years, and Rs. 23,149,087 was less than 1 year.	That Rs. 2,007,362 has been paid from the balance due in less than 1 year.	Creditor balances should be settled.
(c)	Rs. 199,150 deposited directly into the bank by shop owners had been shown as mixed deposits since 2023 without being properly identified.	That the accounts are being reconciled.	The shop owners should be specifically identified and dealt with.

3.3. Operational Inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Although the rent of 34 shops was billed under the new assessment of the Government Valuation Department dated 14 July 2023, the agreement had not been entered into accordingly and the outstanding rent value as of the last day of the year under review was Rs. 2,959,500.	That the monthly rent will be revised and settled.	Agreements should be reached and steps should be taken to recover the arrears.
(b)	The shop owners had enlarged 9 shops to cover the corridor and all the way to the road, but the sabha had not taken legal action.	It is expected that a final decision will be made in the next session of the Sabha.	Unauthorized constructions should be removed.
(c)	Although the request made in 2021 to convert the 180 square feet shop into a two-story building was approved by the General Assembly and the shop owners were informed to pay Rs. 838,490 for the increased area of 838.49 square feet, this had not been paid and although the building had been constructed up to 3 floors without approval, no action had been taken regarding the unauthorized construction.	It is expected that a final decision will be made in the next session of the sabha.	Unauthorized constructions should be removed.
(d)	Although the sabha had approved the renovation of the single-storey shop in	The assessment objections have been	Agreement should be made and shop

2021, it had been developed into a three-storey building by the time of the physical inspection in 2024. Although the monthly rent charged for the single-storey shop was Rs. 12,300 as per the 2023 annual assessment, the monthly rent charged for the single-storey shop was Rs. 750 as per the temporarily assessment in 2019, and was still being charged in the year under review.

sent to the department and accordingly, steps will be taken to enter into agreements and collect rent. rent should be charged according to the assessment.

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| (e) | The shop room measuring 11*9 feet had been completely demolished in the year 2000 without the approval of the sabha and a shop room measuring 24*18 feet had been constructed. In the year 2013, the request was made to build the shop room up to the third floor and the shop room was improved at the expense of the lessee, but the proposal was passed stating that the shop rent should be paid according to the assessment submitted by the sabha. Although the shop rent was revised to Rs. 21,000 from 1 September 2023 according to the new assessment of the year 2023, no steps had been taken to enter into agreements and collect the rent according to the new assessment. | The assessment objections have been sent to the department and accordingly, steps will be taken to enter into agreements and collect rent. | Agreements should be made and shop rent should be charged according to the assessment. |
| (f) | Due to the fact that the keys to the shops were not provided after the contract was signed after the key money was collected, the outstanding key money balance of Rs. 36,555,174 for 29 shops rented out in the year 2019 had not been collected. | Agreements will be made as per the instructions of the Assistant Commissioner of Local Government. | The outstanding amount must be collected in advance. |

3.4. Idle or underutilized Property, Plant and Equipment

Audit Observation		Comments of the Sabha	Recommendation
(a)	The Pallewela Sathipola, which had an area of 3,823 square feet and a value of Rs. 15,000,000, was underutilized and a post office was located on 33.37 perches of the land on which the market was located, but no ground rent had been charged for it.	Only the ownership of the post office land has been transferred to the Gampaha Regional Postmaster General.	Assets must be used effectively.

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| (b) | Although 5 years had passed since the completion of the drinking water project, which was constructed on the sabha land in 2019 at a cost of Rs. 26.76 million under the Pura Neguma Project under the loan assistance of the Asian Development Bank, it had failed due to the drying up of the water source, and the fuel expense alone for the year under review was Rs. 1,008,748 to supply water to the project through the water bowser belonging to the sabha. | Action will be looking in to whether alternative water sources exist. | Assets must be used effectively. |
| (c) | Out of the 26 shops on the ground floor of the two-storey new shopping complex, which was 6,400 square feet and valued at Rs. 10,500,000, 15 shops were closed. | That action will be taken to take over the shops from the sabha. | It should be taken over and re-tendered. |
| (d) | It was observed that the Hela Bojun hala was being operated without following health and safety procedures, that not all registered women were engaged in production and trade activities, that the Hela Bojun hala and its surroundings were not cleaned, and that a shop was constructed at the entrance to the building and tendered for a bakery product sales outlet which led to customers coming to the Hela Bojun hala being directed to it. As a result, the Hela Food Hall, which had a construction cost of Rs. 3,915,750, remained underutilized. | That prepares an agreement in the future and call for quotation. | Health and safety measures must be used and assets must be used effectively. |

3.5. Assets Management

Audit Observation	Comments of the Sabha	Recommendation
(a) The entrance to the staircase that had been prepared to lead to the upper floor from the shopping complex, which had been enlarged by 5 feet behind the back of 03 shops on the upper floor, had been covered with an unauthorized wall, and although the corridor of 05 shops on the lower floor, which was about 09 feet long, had been covered with glass and netting without authorization, the sabha had not taken any action in this regard.	That will bring in shop owners, discuss it, and make a decision.	Unauthorized constructions should be removed and the security of assets should be ensured.

(b)	The ownership of a building valued at Rs. 1,800,000 and a land valued at Rs. 3,400,000 had not been taken over.	That will be done in the future.	Ownership of assets must be taken over and security must be ensured.
(c)	According to the 2024 board of Survey Report, 278 assets of 70 asset types had not been included in the inventory registers of the relevant offices.	That work is being done to include it in the registers.	Must be included in the registers.
(d)	According to the asset survey report, the land that does not exist in the name of the sabha was shown in the financial statement as 2 lands for Rs. 33,200,000, and 2 halls were built on lands not owned by the sabha, but the building value was shown in the financial statement as Rs. 2,487,425.	Action is being taken looking into this.	Action should be taken according to the asset survey recommendations.
(e)	Although the board of survey report stated that 88 books worth Rs. 35,379 were missing and that a shop worth Rs. 100,000 was not in physically, no action had been taken in this regard.	It has been informed that if the books are not submitted within 3 months, they will be recovered from the responsible officials and will be removed from the registers.	Should act in accordance with financial regulations and ensure the safety of assets.

3.6. Human Resources Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	There were 13 vacancies in the primary grade and a excesses of 2 posts in the secondary grade.	That has been accepted	Vacancies should be filled and for excesses approval should be obtained.
(b)	A loan and advance balance of Rs. 1,006,274 had not been recovered from 8 deceased and employees of left from service.	That action will be taken to recover the money.	Staff loans must be collected.

3.7. Utilization of vehicles

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Without calling for open quotations for the repair of a tractor, estimates of Rs. 442,000 were obtained from a private institution on 30 January 2024, Rs. 144,900 on 26 September 2024, and Rs. 125,000 through an undated letter, and the repair work was completed by 25 October 2024 without obtaining the recommendation of a mechanical engineer.	Repair will be carried out in the future.	Procurement guidelines should be followed.
(b)	The meters of 4 three-wheelers owned by the sabha had inactive, and adequate action had not been taken in this regard.	Repair will be carried out in the future.	Vehicles must be properly maintained.