Madurawala Pradeshiya Sabha - 2024
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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Madurawala Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Statement of Assets and Liabilities as at 31 December 2024, Comprehensive Income Statement, 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 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 Madurawala 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

My opinion is qualified 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

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 regarding the preparation of financial statements

1.6.1 Non-compliance with Sri Lanka Public Sector Accounting Standard for Local Authorities

Non-compliance with reference to relevant standard	Comment of the Sabha	Recommendation
According to paragraph 3.32 of Chapter 3 of the standard, when calculating the net cash flow from operating activities, interest income of Rs. 30,440 had not been adjusted to deficiency. In addition, the net increase in other current assets had been stated as Rs. 9,668,713 instead of Rs. 1,754,348, the net increase in payables had been stated as Rs. 8,582,076 instead of Rs. 8,917,036 and the decrease in other current liabilities had been stated as Rs. 346,210 instead of Rs. 302,709.	The cash flow statement be prepared correctly in the year 2025.	The financial statement should be prepared in accordance with Sri Lanka Public Sector Accounting Standard for Local Authorities.

1.6.2 Accounting Deficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Stock being overstated by Rs. 46,558 due to the stock balance of drain brushes as per the warehouse ledger was Rs. 2,430 and it had been recorded as Rs. 48,988 in the stock account at the end of the year under review.	It will be correct when preparing the financial statements in year 2025.	Accounts should be prepared correctly.
(b)	The stock balance of stationery had been overstated by Rs. 68,357 due to the purchase value not being correctly recorded in the accounting of the remaining stationery stock balances at the end of the year under review	-Do-	-Do-
(c)	Although capital expenditure for the year under review was Rs.6,899,152 under other comprehensive income in the statement of comprehensive income, it had been shown as Rs. 35,728,509	-Do-	-Do-

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

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below.

	Reference to Laws, Rules, Regulation and Management Decisions	Non – Compliance	Comment of the Sabha	Recommendation
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka 1645	The log books had not been updated in 09 vehicles and the original copies of the running charts had not been submitted to the Auditor General.	The log books would be updated in the future and the original copies of the running charts would be submitted to the Auditor General.	Action should be taken in accordance with the Financial Regulation.
(b)	Public Administration Circular No.30/2016 of 29 December 2016	The fuel combustion test of 10 vehicles had not been carried out in accordance with the circular.	Action will be taken in accordance with the circular for all vehicles in future.	Action should be taken as per the referred circular.

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of expenditure over revenue of the Sabha for the year ended 31 December 2024 amounted to Rs2,820,313 as compared with the excess of expenditure over revenue amounting to Rs.150,222 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 sectary, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are as follows

		2024				2023			
	Source of Revenue	**Estimated Revenue (Rs)**	**Revenue billed (Rs)**	**Revenue Collected (Rs)**	**Arrears as at 31 December (Rs)**	**Estimated Revenue (Rs)**	**Revenue billed (Rs)**	**Revenue Collected (Rs)**	**Arrears as at 31 December (Rs)**
(i)	Rates and Taxes	3,784,574	4,794,233	3,464,027	1,330,207	2,850,576	3,124,810	2,260,476	1,263,660
(ii)	Rent	-	-	-	-	120,000	-	-	-
(iii)	License Fees	430,000	433,000	433,000	-	920,000	943,610	943,610	-
(iv)	Other Revenue	-	-	-	-	10,434,357	736,389	6,818,082	386,052
		4,214,574	5,227,233	3,897,027	1,330,207	14,324,933	4,804,809	10,022,168	1,649,712

2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Sabha are given below

	Audit Observation	Comment of the Sabha	Recommendation
(a)	**Rated and Taxes**		
(i)	The rate tax arrears at the beginning of the year under review was Rs. 1,263,660 and out of that Rs.707,463 or 56 percent been recovered during the year.	Action will be taken to freeze the properties of the outstanding rates property owners in third quarter of 2025.	Action should be taken to recover the arrears of revenue expeditiously.
(ii)	The rates tax billing in the year under review was Rs. 3,092,336, and out of that Rs. 1,001,894 or 32 percent had not been recovered at the end of the year.	Action will be taken to recover the arrears of assessment.	-Do-
(iii)	According to the rate tax time analysis, the rates arrears between years 01 and 03 was Rs. 718,113, the arrears between years 03 and 05 was Rs. 122,723, the areas between years 05 and 10 was Rs. 89,942 and the areas over 10 years was Rs. 39,359.	The relevant outstanding balances would be recovered by foreclosure of the properties before the end of the year 2025.	-Do-
(iv)	The water tax arrears at the beginning of the year under review was Rs. 386,501 and out of that, Rs. 88,134 or 22 percent had not been recovered during the year.	Legal action would be taken to recover the relevant balances.	-Do-
(v)	The water tax billing in the year under review was Rs. 1,138,839 and out of that Rs. 314,593 or 27 percent had not been recovered during the year.	Rs. 181,718 has been recovered now from the outstanding balance.	-Do-
(b)	**Court Fines and Stamp Duty**		
	Court fines that should have been received from the Chief Secretary	Court fine and stamp duty will be recover	-Do-

of the Provincial Council and other authorities as at 31 December 2024 were 7,450,000 and stamp duty was Rs. 41,981,790.	expeditiously in near future.

3. Operational Review

3.1 Identified Loss

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Although the damage caused to the engine of a cab on 31 December 2016 had been assessed in accordance with Financial Regulation 104(4), the cause, persons and value of the accident had not been identified. Although the sabha had spent Rs. 1,168,257 on compensation for the damage, no steps had been taken to identify the responsible parties and recover the relevant money.	That letters have been submitted to the Commissioner of Local Government requesting assistance in taking further action on this damage.	The officers responsible for the damage should be identified and recovered.
(b)	A case had been filed in the Horana District Court to recover the loss of repair cost which could not be recovered from the insurance company, amounted to Rs. 74,415 out of Rs. 211,144 incurred to restore a vehicle that had been involved in an accident in the year 2017, but due to the death of the defendant in the year 2023, the loss could not be recovered.	The accident has been recorded in the loss register.	Action should be taken as per the court order.
(c)	In the library book survey conducted on 31 December 2024	That action will be taken to recover from those	The damage should be recovered from the

	at the Madurawala Henry Jayawardena Memorial Public Library , there was a shortage of 112 books worth Rs. 23,015 in the library and action had not been taken in accordance with F.R. 104 regarding that shortage even by the end of the year under review.	responsible.	responsible officers.

3.2 Management Inefficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)	After the investigation by government agencies regarding discharge of waste into the environment by a private company within the sabha's jurisdiction, the environmental permit of the company had been temporarily suspended until the deficiencies were rectified. The company had been filed a case in the Horana District Court under Case No. 4323/M of 2009, naming the Madurawala Pradeshiya Sabha as the 6th defendant, to recover the financial loss of Rs. 108 million for the period of company was closed. The sabha had incurred Rs. 642,000 as legal expenses on 12 occasions for this case as at the date of the audit. However sabha had not been consulted from the Local Government Department and sought advice, since the sabha is a defendant in cases and incur high legal costs and may have to pay financial losses.	The former chairman had taken verbal advice from the Legal Officer of the Local Government Department and unanimously decided at the General Assembly held on 09.10.2009 to make these payments.	Written advice should be obtained from the Legal Officer of the Local Government Department when cases of sabha mentioned as a defendant.
(b)	Although the sabha had paid amounted to Rs. 79,410 as court fees	This land had been donated to the	-Do-

	on 02 occasions for appearing as a defendant in a case pending in the Kalutara High Court under No. 122/16F(A) regarding a 15x15 feet land where a well is located in the area called Delgahawatta, that land was not mentioned in the land register and it had not been confirmed whether the sabha had legal ownership of it.	Warakagoda Village Council by external parties and it had a legal right to appear in the case.	
(c)	Although sabha had been paid Rs. 11,000 for 02 sessions to the case No. P/5439 regarding a public toilet constructed in an undivided land in the Warakagoda area in the year 2018, but it was not mentioned in the documents as an asset of the sabha and whether the sabha has a legal title.	That a portion of the undivided land of this land was transferred to the Warakagoda Village Council in 1970 for the construction of a public toilet. Written advice should be obtained from the Legal Officer of the Local Government Department when appearing in cases in which the Council is named as a defendant**.**	Written advice should be obtained from the Legal Officer of the Local Government Department when cases of sabha mentioned as a defendant.
(d)	The amount of Rs. 8,790,570 received in excess for the staff salary reimbursement for the year under review had not been settled by the end of the year under review	The Commissioner of the Department of Local Government has informed that steps will be taken to recover this amount in instalments.	The amount received in excess should be settled expeditiously.
(e)	The total balance of industrial creditors amounted to Rs. 587,740 for the years 2018 and 2020 had not been settled as at the end of the year under review.	That steps will be taken to settle it in the future.	The outstanding balance should be settled expeditiously.

3.3 Idle or underutilized property, plant and equipment

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Out of 74 water meters purchased prior to the year 2022, only 11 had been issued during the year under review, while 63 water meters valued at Rs. 204,750 remained in the stores. It was observed that there is a high possibility of these water meters becoming inactive due to not being utilized within the stipulated time.	As no new water meter installations are currently being carried out, the number of water meters released for use remains minimal, and no alternative solution has been identified for this situation.	Steps should be taken to increase the number of water consumers.
(b)	Although the Department of Local Government had informed the Council on 07 July 2023 to enter into an agreement with the National Secretariat for Elders to implement a program to upgrade the conference hall of the Narthupana multipurpose building constructed in 2016 under the Pura Neguma project at a cost of Rs. 20,619,845 into a day care center for elders, no such action had been taken as at the end of the year under review.	The multipurpose building is used for various programs and that hall lacks of essential facilities such as a stage, sound system, and lighting required for use as an adult day care center .	Necessary action should be taken to make the idle assets usable.
(c)	Although construction of the Narthupana volleyball court, built in 2020 at a cost of Rs. 1,940,000, had been completed in 2021, it had not been put into use as at the end of the year under review.	It was stated that the Divisional Secretariat and the Pradeshiya Sabha will take necessary action in the future to make the playground available for use.	-Do-

3.4 Assets Management

	Audit Observation	Comment of the Sabha	Recommendation
(a)	The lands of the sabha had not been surveyed, secured and name boards identifying the public lands as belonging to the Pradeshiya Sabha had not been displayed.	The public lands and wells owned by the sabha are being identified and the relevant name boards are also being installed.	The security of the assets owned by the sabha should be ensured.
(b)	According to Section 1.1.1 of Circular No. 01/2016 issued by the Western Provincial Secretary on 19 February 2016, all vehicles owned by the institution should be transferred under the institution's name. However, one tractor had not yet been transferred to the name of the sabha as at the end of the year under revie.	The tractor has been temporarily provided by the Divisional Secretary for use in times of disaster.	All the vehicles in the institution should be transferred to the name of the institution.
(c)	Although the Pradeshiya Sabha already had a volleyball court, without identifying a necessity for new construction, two playgrounds had been constructed in Narthupana land and Walpita cemetery in 2020 using allocations of Rs. 3,410,000 received from the Divisional Secretariat, under the influence of external parties. The ownership of the lands on which these two playgrounds were constructed had not been transferred to the sabha as at the end of the year under review.	The transfer of ownership of lands related to two playgrounds is being carried out by the Divisional Secretariat Office.	The properties not in the name of the sabha should be taken over by the sabha.
(d)	The ownership of 20 cemeteries under the administration of the Madurawala Pradeshiya Sabha had	It was stated that all necessary arrangements have now been made to	The ownership of the cemeteries should be taken over by the sabha and

	not been taken over by the sabha. In accordance with Section 10 of the Public and Private Cemeteries Ordinance No. 57 of 1946, protective fences should be erected for the protection of cemeteries. However, protective fences had not been erected for the protection of 17 cemeteries.	transfer the ownership of the cemeteries to the sabha, and that action is being taken to erect protective fences in the cemeteries.	protective fences should also be erected.

3.5 Human Resource Management

	Audit Observation	Comment of the Sabha	Recommendation
(a)	It was observed that there are vacancies for 02 Librarian posts, 01 Management Assistant posts, 02 Revenue Inspector posts, 01 Health Inspector posts, 02 Pre-school Teacher posts at the secondary level, and 01 Crematorium Operator, Driver, Watchman, Ayurveda Assistant and Health Assistant posts and 02 vacancies each for the posts of Work Field Labourer and Health Labourer at the primary level.	The Local Government Commissioner has been informed about the employee vacancies.	Steps should be taken to fill the employee vacancies.
(b)	Steps had not been taken to fill the vacancies of 02 Revenue Inspector posts which directly contribute to the revenue collection of the sabha for a long time.	That recruitment to the post of Revenue Inspector has been temporarily suspended due to a court action	Until a decision is received on the court action regarding the filling of the vacancies of Revenue Inspector, an appropriate procedure should be established to ensure that revenue collection is carried out in an orderly manner.
(c)	An officer who was attached to the	The Secretary to the	The sabha should not pay

	primary level vacancies by the Multi-Task Force from June 2023 was attached to the Pimbura Base Hospital on the orders of the Secretary to the Ministry of Local Government and the sabha had reimbursed salary amounted to Rs. 847,633 .	Governor of the Western Province has ordered the temporary suspension of the transfer of all junior employees who were employed under the Ministry of Local Government to regular work places.	salaries to officers who did not perform the duties of the sabha.
(d)	05 non-driver employees of the sabha had been assigned vehicle duties.	Since only 04 drivers are not enough for the 15 vehicles available in the sabha, other employees have been assigned as substitute drivers.	The vacancies for the Driver positions should be filled.

4. Accountability and good governance

4.1 Annual Action Plan

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Under the 2024 Annual Action Plan, 80 activities were identified under 20 objectives for the community development and welfare sectors, and 11 of the objectives had not been achieved as planned by December 2024.	The inability to conduct community services involving the public during those periods due to two elections in the year 2024, and the low income status of the sabha were also the reasons for this.	The planned activities should be carried out according to the action plan.
(b)	Although performance indicators had been identified for each activity in the action plan prepared for the year under review, the progress of the action plan had not been measured according to those indicators once in a specific period of time.	Since the beginning of April 2024, due to the absence of an officer to cover this subject, it was not possible to complete these activities within the specified time frame.	-Do-

4.2 Internal Audit

Audit Observation	Comment of the Sabha	Recommendation
Although the internal audit plan of the Pradeshiya sabha had specified the areas to be audited under 21 activities, only 02 audit queries had been issued by December 2024. Although internal audit should be implemented as a process that supports the improvement of the operational process of the institution and its performance in accordance with Section 40 and Section 133(1) of the National Audit Act No. 19 of 2018, the sabha's Internal Audit had not conducted sufficient audits and issued internal audit queries related to subjects such as land subdivision certification, vehicle utilization, road damage, industrial progress, procurement, public complaints.	The audit plan for the year 2025 will be implemented.	The internal audit plan should be implemented.

4.3 Budgetary Control

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Budgeted allocation amounting to Rs. 3,770,000 for 21 expenditure items in the year under review, no funds had been spent by the end of the year under review.	The information provided in the account is relevant.	Budget estimates should be used as a control tool.
(b)	Out of the budgeted allocation of Rs. 837,000 for 21 expenditure items, Rs. 761,316 remained unspent at the end of the year under review. This unspent amount from 76 percent to 99 percent of the budgeted allocation.	-Do-	-Do-