

Mawanella Pradeshiya Sabha – 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Mawanella Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and Statement of financial performance, 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, the sub section 172(1) of 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 financial statements give a true and fair view of the financial position of the Mawanella 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 financial statement based 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 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 scepticism 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 of this report 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 Council	Recommendation
(a) The Non-Current Assets and Contribution from Revenue to Capital Outlay Account at the end of the year under review was shown to be understated by the same amount as 03 assets with a total value of Rs. 11,794,620 were not capitalized.	Identifying and capitalizing the correct value of projects.	Assets must be accounted for correctly.
(b) The Contribution from Revenue to Capital Outlay Account not included in the statement of changes in equity.	When preparing the 2025 financial statements, Contribution from Revenue to Capital Outlay Account will be included in the statement of changes in equity.	The statement of changes in equity must be prepared correctly.

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Council	Recommendation
There was a difference of Rs. 7,786,658 between the balances as per the financial statements and the balances as per the detailed schedules and supporting documents at the end of the year under review in relation to 07 accounting items.	That the difference will be found and corrected.	The difference must be identified and corrected.

1.7 Non- Compliances

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Financial regulations 371 (2) (d)	The total advance amounting to Rs. 302,524, which had been given on 04 occasions in the years 2012 and 2019 and on 02 occasions where the date is not mentioned, had not been settled by the end of the year under review.	That will be correct it in the future.	Proceedings should be carried out in accordance with financial regulations.
(b)	Financial regulations 571	Mixed deposits of Rs. 2,354,574 and road damage deposit of Rs. 95,250 received on 248 occasions between 2009 and 2022 had not been settled.	That will be settle the deposits.	Proceedings should be carried out in accordance with financial regulations.
(c)	1988 Pradeshiya Sabha Finance and Administration Rules- 204	Regarding the shortage of 67 units belonging to 11 types of goods identified in the 2023 goods survey, no steps had been taken to recover the value from the responsible parties until the end of the year under review.	Work is underway to identify the individuals responsible.	Investigations should be conducted, the responsible parties identified, and deficits should be levied.
(d)	1988 Pradeshiya Sabha (Finance and Administration) Rules 59	Although a survey was to be conducted within the council area at the beginning of each year and a list of businesses/industries was to be prepared and submitted to the Secretary by March 31, such a survey had not been conducted for the year under review.	Revenue inspectors have been informed to complete the survey work promptly.	Financial and administrative rules must be followed.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs50,232,813 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 56,347,746 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.

Source of Revenue	2024				2023			
	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.
Rates and Taxes	15,902,470	14,153,890	14,372,485	10,864,656	15,972,463	14,522,224	17,034,131	11,525,572
Rent	28,656,200	23,166,591	23,872,874	4,795,069	51,898,279	36,868,961	37,633,133	11,068,106
License fees	5,950,500	3,194,161	3,505,181	4,443,998	5,875,500	2,401,395	3,029,655	4,491,398
Other Revenue	<u>29,829,000</u>	<u>31,192,756</u>	<u>66,751,093</u>	<u>10,160,611</u>	<u>88,379,000</u>	<u>73,905,911</u>	<u>96,033,559</u>	<u>98,766,799</u>
Total	<u>80,338,170</u>	<u>71,707,398</u>	<u>108,501,633</u>	<u>30,264,334</u>	<u>162,125,242</u>	<u>127,698,491</u>	<u>153,730,478</u>	<u>125,851,875</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Council	Recommendation
(a) The assessment tax balance due at the end of the year under review was Rs. 10,310,795, which included Rs. 5,348,633 that had been outstanding for more than 05 years. Also, although the assessment of assessed property should be revised every 05 years, no reassessment had been carried out after the year 2009.	Further steps are being taken to prohibit on the property and the valuation of such property has begun.	Steps should be taken to collect arrears of revenue and assess property, such as property tax, every 5 years.
(b) The notice board fees due at the end of the year under review were Rs. 4,443,998, and that balance included Rs. 3,614,498 that had been outstanding for more than 03 years.	That steps are being taken to systematically write off outstanding balances in accordance with Public Finance Circular 02/2024.	The arrears balance must be settled.
(c) A revenue of Rs. 51,000 was lost due to non-collection of business tax for 17 telephone transmission towers for the year 2024.	That further steps have been taken to recover the arrears amount.	The arrears of revenue must be recovered.

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 3 of the Pradeshiya Sabha Act are shown below.

Solid Waste Management

Audit Observation	Comments of the Council	Recommendation
The council had to incur additional costs for the separation of the waste collected daily due to the fact that it was not segregated but was mixed. Also, as compost production had not been carried out for more than 04 months, by November 2024, an area of more than 500 meters on both sides of the tractor path at the waste disposal site was completely covered with waste. This had caused a strong stench and an excessive number of flies throughout the area.	In 2024, income was generated from the sale of non-biodegradable waste to waste recycling institutions and from the sale of compost products.	Waste management should be streamlined.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Out of 57 complaints regarding unauthorized constructions received in 2023 and 2024, 24 had not been investigated, and the progress of implementing orders regarding unauthorized constructions for which orders had been issued had not been followed up.	Officials were instructed to update on progress.	The regulation of unauthorized construction should be streamlined.
(b) The value of 08 lands whose value was not mentioned in the fixed assets register and 04 land plots totalling 0.437 hectares, which had been assigned to the council for public works by the National Housing Development Authority in the year 2020, had not been assessed and accounted.	That step are being taken to revalue all lands and that the values of the lands will be recorded accordingly.	Values must be assessed and accounted.

(c)	Action had not been taken to settle the weekly market tender fee income of Rs. 226,085 which had been outstanding since before 1999.	It is problematic to refer to the write off as there is no formal information.	Action should be taken to settle the balance.
(d)	Detailed schedules were not prepared regarding furniture, fixtures and office equipment amounting to Rs. 22,120,140 shown in the financial statements of the year under review and the Board of Survey reports were also not submitted to the audit.	Schedules are being prepared.	Detailed schedules should be prepared and submitted.

3.3 Operational Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	A new two-storey building with a weekly market and stalls was constructed in 2008/2009 at a cost of Rs. 9,366,065. Due to problems in locating the weekly market, 143 of the 217 permanent stalls that had been constructed were not used on the days of the fair, resulting in the loss of revenue that could have been earned by the council from 143 stalls at a cost of Rs. 300 per stall.	It is planned to take the necessary further action by referring it to the new council that will be elected in the future.	Existing problems should be resolved and efforts should be made to generate income.
(b)	17 stalls located in the building constructed near the Weekly market were sealed on 25 January 2023 due to non-payment of arrears of rent of Rs. 2,659,992 and fines of Rs. 5,079,250, and the case filed by the stall owners against the decision to re-tender was dismissed on 29 February 2024. Later, following a request made by three stall owners, the Governor had sent the fines of the 17 stalls for approval, but by the end of the year, that approval had not been received, and no steps had been taken to tender the stalls for the year 2025.	A request has been made to obtain the Governor's approval regarding the write-off of arrears.	Efforts should be made to generate revenue by tendering the stalls.

3.4 Idle assets

Audit Observation	Comments of the Council	Recommendation
A JCB machine owned by the council had been idle for over 4 years due to non-repair.	Work is underway to repair and reuse it in the future.	It Should be repaired and put to use.