

Thihagoda Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Thihagoda Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, statement of financial and operational performance, statement of changes in net assets and 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 the 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 statement of financial positions as at 31 December 2024 of the Thihagoda Pradeshiya Sabha, and of its financial performance and its cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

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 Principles, 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 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 exercise 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 the 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 Industry;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources 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 includes special provisions regarding the 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 described in paragraph 1.6 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 observations	Comments of the Council	Recommendation
(a) The capital expenditure incurred for the purchase of a loudspeaker costing Rs.190,000 had been accounted as an revenue expenditure.	It will be corrected in 2025.	Accounting of capital expenditures as revenue expenditure should be corrected.
(b) The 16 consumable items costing Rs.241,607 were accounted under Furniture and Fitting and Machinery.	It will be corrected in the future.	Item values should be accurately identified and accounted.
(c) Payable expenses totalling Rs.1.56 million during the year under review had not been accounted under sundry creditors.	It will be corrected in the future.	Provisions should be made under sundry creditors for payable expenses.

1.6.2 Documentary evidences not made available for Audit

Audit observations	Comments of the Council	Recommendation
Due to the non-submission of the fixed asset register, balance confirmation letters, age analysis, advance register and detailed supporting documents, 06 accounting items totalling Rs.8.44 million could not be satisfactorily examined during the audit.	It will be corrected in the future	The fixed asset register, balance confirmation letters, age analysis, advance register and detailed schedules confirming the account balances shown in the financial statements should be submitted for audit.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the recurrent income exceeding the recurrent expenditure of the Council for the year ended December 31 of the year under review was Rs.13.23 million and conversely, the recurrent expenditure exceeding the recurrent income of the previous year was Rs.3.37 million.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue 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.

Source of Revenue	2024				2023			
	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.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Assessment and Taxes	3,784,520	4,597,658	3,777,202	4,488,927	3,435,057	3,148,844	1,612,550	3,668,471
(ii) Rent	3,957,814	2,305,752	2,297,407	84,833	3,625,000	2,766,977	2,855,192	76,488
(iii) License fee	1,403,000	1,500,506	1,286,400	214,106	1,858,000	2,110,357	2,114,157	-
(iv) Other Revenue	7,414,000	6,359,851	6,512,286	-	9,339,000	22,424,369	22,457,717	152,435
	<u>16,559,334</u>	<u>14,763,767</u>	<u>13,873,295</u>	<u>4,787,866</u>	<u>18,257,057</u>	<u>30,450,547</u>	<u>29,039,616</u>	<u>3,897,394</u>

2.2.2 Performance in collecting Revenue

The following are observations regarding the performance of revenue collection in the council.

Audit observations	Comments of the Council	Recommendation
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(a) Assessment

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| (i) The arrears assessment balance at the beginning of the year under review was Rs.3.66 million and at the end of the year there was an arrears balance of Rs.4.34 million in respect of 2378 assessment units. | An amount of Rs.373,962 has been recovered. | Action should be taken to recover arrears of revenue promptly. |
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| (ii) In terms of Section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987, the assessable properties in the Pradeshiya Sabha area of authority which had been declared as developed areas for 07 years had not been assessed and assessments had not been levied. | Requests have been made to valuation departments for valuation. | In accordance with the provisions of the Act, assessable properties should be identified, assessed and action should be taken to levy the assessment. |
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(b) Other Income

Action had not been taken to recover court fines amounting to Rs.1.46 million and stamp duty amounting to Rs.27.04 million which were due from the Chief Secretary of the Provincial Council and other authorities as at the end of the year under review.	Agreed.	Actions should be taken to recover arrears of revenue promptly.
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3. Operational Review

3.1 Performance of functions assigned by the Act

The following is an observation regarding the performance of the functions that the council was supposed to perform under Section 3 of the Pradeshiya Sabha Act, namely, regulating and controlling matters relating to public health, public utility services and public roads, and ensuring the comfort, convenience and welfare of the people.

Audit observations	Comments of the Council	Recommendation
A portion of the daily garbage collected within the council area of authority had been used for compost production, and the remaining biodegradable and non-biodegradable garbage had been disposed of on private land in the Nadugala Kirala Forest and buried under soil without implementing a permanent and formal system for the disposal of the garbage.	Non-biodegradable garbage, polythene, cardboard, plastic, etc. are sold and everything else is dumped in a garbage yard on private land in the Nadugala area and covered with soil.	A permanent and systematic system should be implemented for garbage disposal.

3.2 Management Inefficiencies

Audit observations	Comments of the Council	Recommendation
(a) Although the council roads in the council area of authority were to be identified in terms of the powers conferred by Section 23 of the Pradeshiya Sabha Act No.15 of 1987 and a list of their names should be published in terms of Section 24(1), the council had not done accordingly after the year 1995.	That a large cost will be incurred in surveying the council road system using government surveyors for the purpose of gazetting roads.	Actions should be taken to identify roads and maintain a register in accordance with the Act.
(b) The 08 shops in a shopping mall owned by the Council had been sub-leased without complying with the provisions of paragraph 11 of the Circular No.SPS/CLG/2010/01 dated 27 December 2010 of the Commissioner of Local Government, Southern Province. So also, 03 shops and 03 fish shops in the said shopping mall had not been used and had been closed for a period of between 01 and 11 years.	It was stated that the sub-lease has been suspended at this time, that 03 shops have been opened and even 03 fish shops were tendered several times no one presented and since a large expense will have to be incurred for the maintenance of the shops, the relevant work will be carried out after financial facilities are provided.	Action should be taken in accordance with the provisions of the Circular.
(c) Although all government officers are required to authenticate their arrivals and departures from their workplace through fingerprint machines in accordance with Section 02 (I) of Public Administration Circular No.09/2009(I) dated 17 June 2009, 347 instances were observed where the officers of the Council did not properly record their arrivals and departures through the fingerprint machines.	That the necessary action will be carried out promptly.	Action should be taken in accordance with the circular instructions and appropriate action should be taken against officers who fail to act accordingly.

3.3 Procurement Management

Audit observations	Comments of the Council	Recommendation
Although, in accordance with the guidelines 3.6.1(d) of the Procurement Guidelines 2006, re-ordering of goods up	The deficiencies are currently being corrected and the purchase is being	Appropriate action should be taken against officials who

to a limit of 50 percent of the original contract value may be authorized only in exceptional circumstances, in violation of this, the Council purchased 400 LED bulbs on 03 occasions during the year under review at a total cost of Rs.336,000 and it was a percentage of 400 percent.

made in accordance with the procurement guidelines.

have not acted in accordance with the provisions of the Government Procurement Guidelines 2006.

3.4 Human Resource Management

Audit observations	Comments of the Council	Recommendation
(a) According to the staff plan, 32 positions remained surplus in the Council at the end of the year under review.	Actions are being taken to approve the surplus officers.	Staff requirements for the council should be reviewed and appropriate action should be taken accordingly.
(b) A secondary level officer and 05 primary level officers of the Council were assigned duties in other positions without assigning duties related to the positions and Rs.3.06 million were paid from the Council fund as salaries and allowances from January to October 2024.	That the error will be corrected after the vacancies are filled.	Duties related to the position should be assigned.