

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Panduwasnuwara Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023, and statement of financial operations, statement of changes in 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 the Provisions 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 financial statements give a true and fair view of the financial position of the Panduwasnuwara Pradeshiya Sabha as at 31 December 2023, 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 express qualified opinion in respect of financial statements 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 Sri Lanka Public Sector Accounting Standards, 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 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 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 Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) The multi-purpose service centre building in Hettipola Daminnagahamulahena Estate had been overstated by value Rs 41,570,143 .	Actions will be taken to be corrected by final financial statements 2024	It should be accurately accounted for.
(b) The value of 08 items purchased in the year 2023 amounted to Rs. 100,100 had not been brought to accounts in the year under review.	-do-	-do-
(c) The aggregate value of Rs. 2,097,645 of 18 items of to be accounted for under machinery and equipment had been accounted for under furniture and fittings.	-do-	-do-
(d) Development expenses of 02 projects with a total value of Rs.1,324,579 had not been capitalized as at 31 December of the year under review.	Actions will be taken to be corrected by final financial statements 2024 .	It should be accurately accounted for.

- (e) Five land assets with a total value of Rs.2,450,000 included in the Register of Assets had not been shown in the financial statements of the year under review. -do- -do-

1.7 Non-compliance

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

The Instances of non-compliance with laws, rules, regulations and management decisions are as follows.

Reference to Laws, Rules, Regulations, Management Decisions etc.	Non-compliance	Comments of the Secretary	Recommendation	
(a) Pradeshiya Sabha Act No. 15 of 1987	Section 134	Actions had not been taken to declare the areas developed and providing services by the Sabha and charge rates.	Agree with the observation	Actions should be taken in terms of the Section.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Financial Regulations 570 and 571	Actions had not been taken in respect of 116 lapsed deposits valued at Rs.1,334,032 as per regulations.	-do-	Actions should be taken in terms of the Section.
(c) Pradeshiya Sabha Financial and Administrative Rules	Rule 218	Although an annual survey of land and buildings should be conducted by an appointed board, it had not been so done.	-do-	Actions should be taken as per the Rule.

- (d) Local Government Circulars
- (i) Circular No. 2018/elocal government 01 and dated 19/07/2018 Citizens had not been provided the necessary facilities to submit applications and make payments online. Agree with the observation. Actions should be taken as per circulars.
- (ii) Section 1.2 ii of Circular No. 2010/02 and dated 30/07/2010 Although a divisional transfer system should be implemented once in 02 years for officers who find it difficult to do so, it had not been so done. -do- -do-

2. Financial Review

2.1 Financial Results

As per the financial statements presented, revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2023 was Rs. 21,770,587 and as correspondence revenue that exceeded the recurrent expenditure of the preceding year was Rs. 45,284,101.

2.2 Revenue Administration

2.2.1 Estimated Revenues, Billed Revenues, Collected Revenues and Arrears of Revenues

As per the information presented by the Secretary, the details about the estimated revenue, billed revenue, collected revenue and arrears of revenue presented for the year under review and the previous year are as follows.

Source of Revenue	Year 2023				Year 2022			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December (from Billed Revenue)	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December (from Billed Revenue)
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates and Taxes	1,835	1,739	2,362	-	1,835	1,737	2,416	-
Rents	9,035	22,453	22,522	107	16,565	20,597	20,737	172
License Fees	3,450	2,401	2,401	-	3,450	2,157	2,157	-
Other Income	5,800	616	797	-	5,302	4,969	5,489	167
Total	20,120	27,209	28,082	107	27,152	29,460	30,799	339

2.2.2 Performance of Revenue Collection

Audit Observation	Comments of the Secretary	Recommendation
(a) There was an arrears of shop rent amounted to Rs.107,500 as at 31 December 2023 .	Agree with the observation.	Actions should be taken to recover the arrears of balances promptly.
(b) Court fines that should have been received as at 31 December 2023 from the Chief Secretary of the Provincial Council and other authorities from April of the year under review was Rs 4,049,681 and the stamp duty was Rs 48,631,649	-do-	Actions should be taken to recover promptly.

3. Operational Review

3.1 Performance of functions assigned by the Act

Audit Observation	Comments of the Secretary	Recommendation
Even though a sum of Rs. 27,402,740 had been incurred as capital and recurrent expenditure for solid waste management during the year under review, the income received from the sale of waste was only Rs. 183,830.	-do-	Actions should be taken to manage biodegradable and non-biodegradable waste properly and to develop income generation activities.

3.2 Management Inefficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) The value of 03 accounts receivable as at 31 December of the year under review was Rs.18,517,491.	Agree with the observation.	Actions should be taken to recover the balances to be received promptly.
(b) The value of 03 accounts payable as at 31 December of the year under review was Rs.85,406,036 .	-do-	Actions should be taken to settle the balances to be paid promptly.
(c) It had been mentioned under current liabilities of the previous	-do-	Total value added tax should be settled.

year. The Value Added Tax of Rs. 4,074,814 had remained unsettled furthermore as at 31 December of the year under review under current liabilities.

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| (d) | Twelve budgeted projects with a total value of Rs 63,949,396 had not been commenced during the year under review. | Agree with the observation. | Measures should be done to make the plans successful. |
| (e) | There was an irrecoverable employee loan of Rs.154,747 from 18 employees as at 31 December of the year under review. | -do- | Employee loans should be recovered properly. |

3.3 Assets Management

Audit Observation	Comments of the Secretary	Recommendation
(a) Register of Fixed asset for land, buildings, vehicles, plant and machinery had not been maintained up to date.	Agree with the observation.	Register of Fixed asset should be maintained in an updated manner.
(b) There were 5091 street lights maintained by the Sabha and only 100 were physically numbered. Similarly, Register of Street Lights was not updated and maintained and information about street lights had not been entered in CAT computer system.	-do-	Whenever possible, public trustees should be appointed for the safety and custody of all the street lights owned by the Sabha
(c) Four vehicles with a total value of Rs 700,350 from the previous year had not been assessed in the year under review and those values had not been shown in the financial statements.	Agree with the observation.	Assets should be valued and those values shown in the financial statements.
(d) The ownership of 15 lands used by the Sabha and ownership of 131 cemeteries maintained by the Sabha had not been taken over by the Sabha.	Agree with the observation.	Actions should be taken to take over the assets belonging to Sabha.

3.4 Human Resources Management

Audit Observation	Comments of the Secretary	Recommendation
There were 22 vacancies and 04 excesses in the approved staff of the Sabha and a sum of Rs.7,717,061 had been paid as salaries and allowances for 22 employees recruited on casual, substitute, contract or daily allowance basis exceeding the approved staff.	Agree with the observation.	Staff requirements should be reviewed periodically.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Secretary	Recommendation
There was a variance ranging from 26 to 81 per cent in estimated income and actual income in 04 revenue items and more than 20 per cent difference between estimated allocation and actual expenditure in 06 expenditure items .	Agree with the observation.	Income estimates should be prepared as rationally as possible.