Padawiya Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Padawiya Pradeshiya Sabha for the year ended 31 December 2024 comprising the Statement of assets and liabilities as at 31 December 2024 and the Comprehensive Income Statement, Statement of changes in Equity / Net Assets, 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 Padawiya 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 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

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 Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Although the value of the Parakramapura weekly fair building constructed in the year 2022 was Rs. 41,701,765 according to the fixed assets register, it was stated as Rs. 41,993,157 in the annexure submitted to the statement of assets and liabilities, which was Rs. 291,392 more, and a depreciation value of Rs. 7,285 was also adjusted in the financial statements of the year under review.	Accepted.	The correct value must be stated in the fixed asset register.
(b)	The photocopy machine worth Rs. 276,120 received by the Padaviya Pradeshiya Sabha on 18 March 2024 through the LDSP project had not been disclosed as an asset in the Asset Liability Statement for the year under review.	Accepted.	The correct value must be accounted.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
Although the value according to the ledger was Rs. 889,288 in relation to 02 account balances, the value according to the trial balance was Rs. 868,288, a difference of Rs. 21,000.	Accepted.	Corresponding reports should be compared with schedules and corrected.

1.7 Non- Compliances

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a)	Public Finance Circular No. 02/2015 dated 10 July 2015	No action had been taken to dispose of 03 unusable vehicles.	That an auction will be held to remove it.	Action should be taken to eliminate abuse.
(b)	Letter No. NCP/LG/18/04/04/2022 dated 22 August 2020 from the Commissioner of Local Government, North Central Province	The amount of Rs. 290,675 due for the rental of the JCB machine in the year 2022 had not been recovered.	That action will be taken to recover the arrears of rent.	Action should be taken to recover the full rent.

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. 2,444,717 as against the excess of expenditure over revenue amounted to Rs. 6,023,366 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	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.
(i)	Rates and Taxes	2,138,100	2,833,920	2,623,880	724,600	2,000,200	1,710,630	1,673,830	641,800
(ii)	Rent	13,365,800	6,434,820	6,409,845	809,255	11,881,400	4,744,337	4,737,687	455,250
(iii)	License fees	4,704,235	2,052,689	2,046,329	189,981	5,108,800	1,558,349	1,724,991	48,000
(iv)	Other Revenue	16,425,000	9,568,211	10,320,851	1,297,864	16,893,600	9,302,156	8,139,874	2,539,777
		36,633,135	20,889,640	21,400,905	3,021,700	35,884,000	17,315,472	16,276,382	3,684,827

2.2.2 Performance in Revenue Collection

	Audit Observation	Comments of the Sabha	Recommendation
(a)	**Rates and Taxes**		
	Business taxes of Rs. 681,600 and industrial taxes of Rs. 43,000 had not been collected as of December 31 of the year under review.	That action will be taken to recover arrears of business taxes in the year 2025.	Action should be taken to recover.
(b)	**Rent**		
	The rent due for the rental of the JCB machine owned by the sabha in the years 2022 and 2023 was not collected in the amount of Rs. 409,575.	That action will be taken to recover it.	Action should be taken to recover.
(c)	**License Fees**		
	The trade license fees receivable of Rs. 33,200 had not been collected for the year under review.	That steps will be taken to recover arrears of license fees in the year 2025.	Action should be taken to recover.
(d)	**Other Revenue**		
(i)	Water charges of Rs. 144,781 and water connection charges of Rs. 12,000 had not been collected as of December 31 of the year under review.	Action will be taken to recover arrears of water connections and water charges in the year 2025.	Action should be taken to recover.
(ii)	Court fines of Rs. 1,131,364 and stamp duty of Rs. 166,500, which were due to be received from the Chief Secretary of the Provincial Council and other authorities, had not been collected as at 31st December 2024.	Action will be taken to collect court fines in the year 2025.	Action should be taken to recover.

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.

Audit Observation	Comments of the Sabha	Recommendation
Under Section 126 of the Pradeshiya Sabha Act, by-laws could have been enacted to carry out 30 key matters, but by-laws had not been enacted for those matters as at 31st of December 2024.	Although the by-laws were prepared and presented by the Sabha, the adoption has been delayed due to existing legal issues and deficiencies in the by-laws being prepared.	Steps should be taken to correct and embrace the deficiencies in the bylaws.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
Action had not been taken regarding the debtor balance of Rs. 842,854 due to the Sabha from the Local Government Department, and the creditor balance of Rs. 1,170,944 which had been in existence for a period of between 03 and 09 years.	That will be resolve the matter in the future.	Action should be taken to settle debtor and creditor balances.

3.3 Operational Inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	A survey had not been conducted in 2024 to identify the institutions within the sabha's domain that were required to obtain environmental License, and a survey of the locations of notice boards had not been conducted to determine the fees to be charged for notice boards for 2024, but had been based on the survey conducted in 2023.	A notice board survey for the year 2025 is being conducted.	Notice board fees should be charged based on the new survey.
(b)	Due to the lack of sufficient health workers at the Pilisaru Center, proper waste management could not be carried out, and as a result, the surrounding environment had become polluted due to the accumulation of waste inside the Waste Management Center and the disturbance of wild animals.	A net fence will be built around the Pilisaru Center and work will be done to fix it in the future.	Garbage should be managed properly.

(c)	Although the Gazette Notification No. 2225 dated April 23, 2021, declared certain areas within the domain of the Padaviya Pradeshiya Sabha as developed areas, and the Gazette Notification No. 2365 dated December 29, 2023, announced the assessment tax rate as 04 percent, the sabha had lost rates income up to the date of audit due to the failure of the Valuation Department to assess the said property.	The sabha has been unable to recover the rates due to the failure of the valuation Department to conduct property assessments.	The property should be appraised through the Valuation Department and steps should be taken to collect the rates.

3.4 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
During the goods survey for the year 2023, a cab, a motorcycle, a hand tractor and a concrete mixer, which had been recommended for disposal by the Survey Board and were so worn out that they could not be used, could not be disposed of as at 31st of December 2024 due to the inability to obtain the recommendation of a mechanical engineer.	The necessary steps are being taken to auction these vehicles.	Action should be taken to properly carry out the disposal work.

4. Accountability and Good Governance

4.1. Annual Action Plan

Audit Observation	Comments of the Sabha	Recommendation
It had been planned to develop 83 roads and carry out 29 various projects at a gross estimated cost of Rs. 286.45 million in the year 2024, but due to the lack of necessary financial provisions, those tasks had not been completed.	It has been impossible to implement these projects due to the lack of expected provisions.	An action plan should be prepared annually in compliance with the budget and revised from time to time.