Thalawa Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Thalawa 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 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 Thalawa 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)	Fixed deposits were under-accounted for by Rs. 484,375, resulting in a decrease in non current investments by the same amount.	That it will be corrected in future financial statements.	The correct value must be accounted.
(b)	Although the net decrease in cash and cash equivalents in the cash flow statement as of December 31, 2024 should have been Rs. 10,046,358, the net increase in cash and cash equivalents at the end of the year in the cash flow statement was shown as Rs. 33,662,066, resulting in an overstated of Rs. 43,708,424.	That it will be corrected in future financial statements.	The correct value must be accounted.
(c)	Although the court fine revenue billed for the year under review was Rs. 15,000,000, the court fine income actually collected for the year was Rs. 16,331,751. As a result, the accumulated fund and deficiency account had been under-accounted by Rs. 1,331,750 due to the fact that the amount of Rs. 1,331,750 received in excess of the billed income for the year 2024 had not been adjusted.	No court fines were received in 2024, and the billed amount was accounted for as revenue for the year due to the preparation of financial statements on an accrual basis.	The correct value must be accounted.
(d)	The Pajero vehicle belonging to the Pradeshiya Sabha had not been valued and accounted for under property, plant and equipment.	A new assessment will be made and accounted for in the future.	All property, plant and equipment belonging to the sabha must be accounted.

(e)	Although the cab that had been involved in an accident in 2019 had been parked in a private garage without being repaired, the purchase cost of Rs. 6,390,000 had been accounted for under property, plant and equipment in the year under review.	In a court case has been filed regarding the accident and a new assessment will be made and accounting will be done after repairs are completed.	The correct value must be accounted.
(f)	The total value of the stock balances recorded as of the last day of the previous year, without valuing the general storage stocks, stationery storage stocks, water industry storage stocks and electrical storage stocks as of the last day of the year under review, was Rs. 3,241,460, which was also recorded in the year under review.	After the board of survey, steps will be taken to identify, assess and account for physical stock balances.	The correct value must be accounted.
(g)	The decrease in cash and cash equivalents during the year under review in the cash flow statement, amounting to Rs. 10,046,358, was not adjusted to the surplus for the year as a decrease in other current assets, but was done so.	That it will be accounted for correctly in future financial statements.	The correct value must be accounted.
(h)	In calculating the cash flow from operating activities without calculating the storage stock balances as at the end of the year under review, only the value of the change in the library book stock during the year of Rs. 597,517 was adjusted for the surplus for the year.	That the goods will be corrected after the survey.	The correct value must be accounted.

1.6.2 Unreconciled Control Accounts or Records

	Audit Observation	Comments of the Sabha	Recommendation
(a)	According to the trial balance prepared as at 31st December 2024 and the schedule reports, there was a difference of Rs. 28,870,283 in the total value of 08 accounting subjects.	Accepted.	Corresponding reports should be compared with schedules and corrected.
(b)	There was a difference of Rs. 17,313,997 in the total value of 06 expenditure items with the LG 13 Expenditure Report and Account Note No. 08 submitted with the Financial Statements prepared as at 31st December 2024.	-Do-	-Do-

(c)	Although the balance of the Accumulated Fund and Deficit Account as at 31 December 2024 was Rs. 544,798,339, there was a difference of Rs. 1,120,197 due to the fact that the balance of that account as at that date was shown as Rs. 543,678,142 in the trial balance .	That it will be corrected in future financial statements.	The correct value must be accounted.

1.7 Non- Compliances

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

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions etc as follows.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a)	Pradeshiya Sabha (Financial Administration) Rules 5 (6) of 1988	Action had not been taken to collect all the revenue and other fees amounting to Rs. 75,540,106 due to the Pradeshiya Sabha within the stipulated period.	That necessary operation are being carried out to collect all revenues and other fees within the stipulated period.	The Pradeshiya Sabha must act in accordance with the financial administration rules.
(b)	Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 571			
(i)		Action had not been taken in accordance with the Financial Regulations regarding 28 deposits worth Rs. 2,386,644 pertaining to 2 types of deposits that had been in existence for more than 2 years.	That in the future, we will act in accordance with financial regulations.	Financial regulations must be followed.
(ii)	F.R. 756	The board of survey for the year 2024 had not been conducted.	The board of survey is currently underway and will be completed promptly.	Financial regulations must be followed.

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. 1,114,621 as compared with the excess of revenue over expenditure amounted to Rs. 22,477,373 in the preceding year.

2.2 Financial Control

Audit Observation	Comments of the sabha	Recommendation
The Pradeshiya Sabha had retained Rs. 63,562,153 in fixed deposits and current accounts as of December 31, 2024, without paying attention to Fulfilling basic needs of the people in the Pradeshiya Sabha area, carrying out development activities and providing public services.	It is hoped that development projects will be implemented using that money in the future.	Attention should be paid to carrying out development activities and providing public services.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

According to the information submitted by the Secretary of the Sabha, information related to the estimated revenue, billed revenue, collected revenue and arrears f revenue for the year under review and for the previous year are mentioned below.

		2024				2023			
	Source of Revenue	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	R evenue billed	Revenue collected	Total Arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	36,198,632	39,423,347	18,272,712	21,150,635	13,438,659	15,391,286	15,151,557	22,571,661
(ii)	Rent	14,062,214	17,265,986	13,063,368	4,202,618	16,571,200	14,251,837	15,564,280	4,138,014
(iii)	License fees	4,210,250	4,246,107	2,950,959	1,295,149	4,618,650	4,352,086	4,863,086	138,150
(iv)	Other Revenue	45,246,923	48,906,953	-	48,906,953	31,854,111	34,772,413	19,168,431	33,498,332
		99,718,019	109,842,393	34,287,039	75,555,355	66,482,620	68,767,622	54,747,354	60,346,157

2.3.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Sabha are given below.

	Audit Observation	Comments of the Sabha	Recommendation
(a)	**Rates**		
	The progress in collecting rates in the Pradeshiya Sabha area of aithority was very low and as at 31st December 2024, there was an arrears of rates of Rs. 21,150,635, which was 54 percent of the annual billing of Rs. 39,423,347.	It is said that 2 million rupees have been recovered from the arrears so far and reports will be prepared and submitted in the future.	Action should be taken to recover the current and arrears of rates.
(b)	**Rent**		
(i)	The arrears of rent of Rs. 4,202,618, which were due as at 31st of December 2024, for the lease and rental of assets owned by the Sabha, had not been recovered.	Legal action has been initiated to collect the arrears of revenue.	Action should be taken to recover the arrears of rent.
(ii)	Although a period of between 1 and 14 years had elapsed, Rs. 1,436,333 due for asset leasing had not been recovered.	Not commented.	Action should be taken to recover the arrears of revenue.
(c)	**License Fees**		
	The total value of Rs. 1,700,103 due for trade licenses, business taxes, notice boards and industrial taxes had not been collected by 31st December of the year under review.	Legal action will be initiated to recover the money.	Action should be taken to recover arrears of license fees.
(d)	**Other Revenue**		
(i)	The outstanding water bills of Rs. 2,582,904 had not been recovered from the Thirappane, Mawathawewa, Hirigollagama and Katiyawa water projects belonging to the Sabha as at 31st December of the year under review.	Legal action has been initiated against units whose connections were disconnected due to non-payment of water bills.	Steps should be taken to recover outstanding water bills.
(ii)	Court fines of Rs. 40,869,972 and stamp duty of Rs. 8,036,981, which were receivable from the Chief Secretary of the Provincial Council and other authorities, had not been collected as at 31st December 2024.	It has been notified on 03 occasions, but no court fines have been issued so far, and further reminders will be sent to recover the amount.	Action should be taken to recover the arrears of revenue.

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 main matters, but by-laws had not been enacted for those matters as of 31st of December 2024.	That action will be taken to enact the remaining by-laws after the establishment of the Pradeshiya Sabhas and the establishment of the Provincial Councils.	Action should be taken to enact by-laws.

3.2 Identified Losses

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The cab belonging to the sabha had been involved in an accident on 15th of April 2019 and the current assessed value of the loss, Rs. 7,294,716, had not been recovered from the responsible parties.	The relevant 10 percent has been recovered from the cab driver and legal proceedings have been initiated to recover the remaining amount from the former chairman.	Action should be taken to recover the loss.
(b)	In addition to the amount received from the insurance claim for the sabha's tipper vehicle that was involved in an accident on 31st of January 2019, no formal investigation had been conducted and steps had been taken to recover the amount of Rs. 113,176 incurred by the sabha from the responsible parties.	That a preliminary investigation will be initiated into the recovery of the money spent by the sabha.	A formal investigation should be conducted for the responsible parties and steps should be taken to recover the losses.

3.3 Management Inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The slab for the upper roof of the sabha building had been filling with water during rainy days and that water had been leaking into the lower floor for many years, but the authorities had not taken any necessary steps to remedy it, and the safety of the officials in the building had also been threatened.	According to the quality control engineering report obtained for the construction of the upper floor, the condition is suitable for construction, so construction work will commence after the establishment of the Pradeshiya Sabha.	Action should be take to repair the sabha building.
(b)	Action had not been taken to settle the retention amount to total value Rs. 2,569,617 relating to 21 industries whose work had been completed between 2018 and 2023.	Currently conducting a time analysis and will provide details regarding this.	Action should be taken to examine the shortcomings in industries and release the retained amount.
(c)	Management had not taken steps to submit sufficient evidence to the audit for the balance of non-current assets and current assets belonging to the Pradeshiya Sabha, which had a total value of Rs. 179,206,814.	That will be working to correct.	Confirmatory audit evidence must be submitted.
(d)	During the year under review, no action had been taken to recover 07 staff loan balances with a total value of Rs. 746,964, which had remained unpaid since 2013 to 2022.	It is expected that legal action will be taken.	Action should be taken to recover arrears od staff loans.

3.4 Transactions of Contentious Nature

Audit Observation	Comments of the Sabha	Recommendation
An officer who had been given permanent appointments for the post of Works Administrator - 111, a secondary level post, after conducting only an interview, in non-compliance of the Service Constitution, had been paid salaries totaling Rs. 578,204 between 11 June 2024 and April 2025.	Salaries and allowances have been paid according to the appointment letter issued by the Provincial Public Service Commission.	Recruitment should be carried out in accordance with the Service Constitution.

3.5 Idle or underutilized Property, Plant and Equipment

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Seven (7) vehicles owned by the sabha were lying idle, decaying and decaying within the Pradeshiya Sabha premises.	It is hoped that ownership will be confirmed and auctioned after the board of survey is completed.	Necessary action should be taken regarding vehicles that are in an inactive state.
(b)	The Thambuttegama weekly fair buildings, which were constructed in 2017 at a cost of Rs. 9 million, remained idle.	The Minister of Trade and Commerce has verbally instructed to temporarily halt the Thambuttegama Urban Development Plan.	Efforts should be made to utilize idle assets.
(c)	08 mobile shops built in 2022 were idle in the Thalawa Sabha premises and another 08 stalls in the Thambuttegama premises.	Since there are 58 applicants for the 16 shops, the mobile shops will be distributed after the Sabha is established, selecting the suitable candidates.	Efforts should be made to utilize idle assets.

3.6 Defects in Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
The Pradeshiya Sabha area of authority had lost the benefits due to the failure of the societies performing according to the agreement that undertook to implement 02 projects with a total value of Rs. 1,437,515, which were agreement to be implemented under the Provincial Special Development Grants,	Despite being notified on several occasions, the relevant contractual unions have been blacklisted due to non-implementation of the project.	Only suitable contractors should be selected to carry out projects.

3.7 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
As at 31st of December 2024, there was a surplus of 12 officers in respect of 06 posts and a shortage of 12 officers in respect of 08 posts in the approved staff of the Sabha.	Having become surplus after the award of permanent appointments on 11th April 2024.	Arrangements should be made to recruit within the approved staff composition.

3.8 Management of Vehicle fleet

Audit Observation	Comments of the Sabha	Recommendation
In accordance with paragraph 3.1 of Public Administration Circular No. 30/2016 dated 29th December 2016, a fuel inspection had not been conducted on 22 vehicles owned by the Pradeshiya Sabha.	Action will be taken in the future as indicated by the audit.	Action should be taken in accordance with the Public Administration Circular.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation	Comments of the Sabha	Recommendation
An annual performance report or draft had not been submitted with the financial statements in accordance with sub-section 16 (2) of the National Audit Act, No. 19 of 2018.	That will be presented in the future.	Action should be taken in accordance with the National Audit Act.

4.2 Environmental Problems

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Due to the lack of a waste shredder at the Waste Management Center, non-degradable waste was piled up irregularly in a large area of the center's grounds.	It is hoped to obtain a waste shredder machine with the approval of the sabha after the establishment of the Pradeshiya Sabha.	Waste management should be carried out formally.
(b)	Due to shortcomings at the Waste Management Center, it was not possible to obtain an environmental license from the Central Environmental Authority..	That the deficiencies will be corrected and steps will be taken to obtain the environmental protection license.	Action should be taken to obtain an environmental license for the waste management center.