

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Minipe Pradeshiya Sabha for the year ended 31 December 2024 comprising with the Balance Sheet as at 31 December 2024 and Income and Expenditure Account, 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 sub-section 10 (1) of 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 Minipe Pradeshiya Sabha as at 31 December 2024, and of its financial performance and for the year then ended in accordance with Generally accepted Accounting Practices.

1.2 Basis for Qualified opinion

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

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 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 Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
While Rs. 4,888,000 paid for the installation of solar panels during the year under review was accounted for under Land and Buildings, it was also accounted for under Furniture and Fixtures. As a result, the assets were overstated by that amount.	Action will be taken to correct it next year.	Accounts should be prepared correctly.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the non-submission of documents, files and schedules relating to 05 asset subjects and one liability subject totalling Rs. 938,415 as shown in the financial statements, it was not possible to satisfactorily verify during the audit.	Action will be taken to correct it next year.	Relevant documents and files should be maintained to verify account subject.

1.7 Non-compliances

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

Non-compliance with Laws, Rules, Regulations and Management Decisions are as follows.

Reference to Laws, Rules Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987			
(i) Section 24	210 roads owned by the Pradeshiya Sabha had not been gazetted and recorded under inventory.	The survey work will be carried out and the roads will be gazetted.	The road should be published in the Gazette.

(ii)	Section 128	The ownership of 58 plots of land and 37 cemeteries used by the Sabha for public purposes had not been taken over.	Action will be taken to acquire ownership of lands and cemeteries.	Action should be taken to acquire the ownership of the assets owned by the Sabha.
(b)	Public Administration Circular No. 09/2009 dated 16th April 2009 Section 02 (i)	It was observed that although the Secretary of the Sabha had reported for duty and paid Rs.160,740 in wages during the period from January to August of the year under review, his attendance and departure had not been confirmed using the fingerprint machine.	Under the current system of keeping records for officers who come to the office for specific duties, arrival and departure will be recorded in the register only.	Every public servant covered by the Public Administration Circular should use the fingerprint machine to record their arrival and departure.

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 Rs.16,492,679 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 10,502,728 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 presented by the Secretary of the Sabha relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding 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	2,291,992	2,438,145	2,748,393	2,627,196	1,335,885	1,389,485	1,293,683	2,937,444
(ii)	Rent	4,771,031	5,914,084	4,178,125	17,753,051	4,681,391	5,498,461	4,178,375	16,017,092
(iii)	License Fees	1,630,000	2,414,095	2,167,595	455,150	1,262,500	2,070,175	2,118,400	208,650
(iv)	Other revenue	13,982,454	25,548,260	31,671,652	9,095,849	7,499,219	18,869,569	19,583,448	15,219,241
Total		<u>22,675,477</u>	<u>36,314,584</u>	<u>40,765,765</u>	<u>29,931,246</u>	<u>14,778,995</u>	<u>27,827,690</u>	<u>27,173,906</u>	<u>34,382,427</u>

2.2.2 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 and Tax		
(i)	The arrears of rates as at the end of the year under review was Rs. 2,599,895. Out of this, Rs. 1,076,255 due from 124 properties where the arrears per unit exceeded Rs. 5,000 had not been collected in accordance with Section 158(1) of the Pradeshiya Sabha Act, No. 15 of 1987.	That action will be taken to recover it.	The arrears of revenue should be recovered.
(ii)	As of December 31st, of the year under review, rates totalling Rs. 284,841 had not been collected from 10 government institutions.	Do	Do
(b)	Rent		
	As of December 31st, of the year under review, a total of Rs. 16,507,730 was outstanding in rent from 47 stalls in 07 public markets belonging to the Sabha. Of this, Rs. 7,603,202 was outstanding for a period of between 01 and 05 years and Rs. 6,520,968 was outstanding for more than 05 years.	Rent is being collected for two stalls in Hasalaka town and court proceedings are pending for 03 stalls. Court proceedings are being taken for the remaining 16 stalls.	Legal action should be taken to recover arrears rent.
(c)	Other Income		
	Water Charges		
	Water charges of Rs. 151,142 had not been collected from 27 water consumers whose water supply had been disconnected between 1 and 12 years, and the total amount due from 163 water consumers with arrears exceeding Rs. 5,000, amounting to Rs. 1,266,542, had also not been collected.	Red notices will be issued and the water supply of consumers with an arrears exceeding Rs. 5,000 will be disconnected.	The arrears of revenue should be collected.
(d)	Court fines and Stamp duty		
	The court fines and stamp duty due from the Chief Secretary of the Provincial	Requests have been sent to the Chief Secretary of the	The arrears of revenue should be collected.

Council and other authorities as at 31st December of the year under review amounted to Rs.2,537,741 and Rs.859,050 respectively.

Central Province regarding the stamp duty receivables.

3. Operational Review

3.1 Fulfilment of functions assigned 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
(a)	According to the feasibility study report of the multi-purpose building constructed in 2015 under the Pura Neguma Project at a cost of Rs. 71,949,500, it was planned to construct a library and conference hall on the second floor measuring 8072 square feet, but 10 years have passed since then, but work on that floor has not been completed and the relevant premises have not been used for the intended purpose.	Since the Sabha does not have sufficient funds to implement a productive project, no funds were allocated this year.	Construction should be completed and buildings should be used for their intended purposes.
(b)	Drinking water was distributed to consumers without testing water samples from 11 water projects run by the Pradeshiya Sabha and determining the quality of the water.	That the water in the water schemes of Sabha will be purified and clean drinking water will be distributed in the future.	Water samples should be tested, the water should be purified accordingly, and clean drinking water should be provided to the public.
(c)	During the year under review, 87700 kg of biodegradable waste was collected in the Sabha area, of which 79400 kg was piled up in the garbage yard without any management. Similarly, 47600 kg of non-biodegradable waste collected during the year was also piled up without management.	The garbage yard has currently been properly organized and sorted into biodegradable and non-biodegradable garbage, glass, etc.	Degradable waste should be used to produce organic fertilizer, and non-degradable materials should be recycled.

3.2 Identified Losses

Audit Observation	Comments of the Sabha	Recommendation
In 1997, a case was filed seeking a loss of Rs. 500,000 due to the demolition of an unauthorized foundation on a land owned by the Sabha by the former chairman, and since no one appeared on behalf of the Sabha, a unilateral court decision was given to pay Rs. 500,000 in compensation and Rs. 30,500 in court fees, totaling Rs. 530,500. Although the investigation under Section 104(04) had recommended the recovery of Rs. 134,950 each from 04 parties for this loss of Rs. 530,500, it had not been recovered by the end of the year under review.	Necessary steps are being taken to take legal action to recover Rs.134,950 each from 04 parties under the F.R.104 (4) investigation for this loss of Rs.530,500.	Losses should be charged according to the recommendations of the investigation reports.

3.3 Management inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The total of 06 accounts receivable balances as at 31st December of the year under review was Rs.3,216,338. Out of this, the total of the balances that were outstanding for a period of between 01 and 05 years was Rs.1,157,613 and the total of the balances that were outstanding for more than 05 years was Rs.889,504.	That legal action will be taken to recover this balance.	The receivable balance should be collected.
(b) 866 water consumers did not have water meters installed, and 359 consumers had their water meters inoperative. Thus, only a fixed fee of Rs. 500 was charged from domestic water consumers without water meters and Rs.750 was charged from commercial consumers with water meters inoperative, and due to the failure to install new water meters and charge fees based on water consumption, the Sabha had lost its due income.	The installation of water meters for all water consumers in the Minipe Pradeshiya Sabha has commenced, and provisions have been allocated for the purchase of water meters this year and they are currently being installed.	Water meters should be installed and fees charged.

3.4 Transactions of Extraneous Nature

Audit Observation	Comments of the Sabha	Recommendation
In contrary to Section 4.1 of Chapter XIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, the Acting Secretary of the Sabha was paid a subsistence allowance of Rs. 117,600 for the period from December 2023 to August 2024 for his duties and in contrary to Section 4.4 of the Establishments Code, the full subsistence allowance was also paid for periods of less than 12 hours when performing field duties in the Sabha area of authority.	In addition to the acting allowance, a subsistence allowance is also paid in accordance with Section 4 of Chapter XIV of the Establishments Code, provided that the distance between the two places of work exceeds 50 kilometres, and that the 12-hour period for coming to the service of this institution and performing daily duties and returning is covered.	Since there are no provisions in the Establishments Code for the payment of subsistence allowances in addition to the payment of acting salaries, the subsistence allowances paid should be recovered.

3.5 Asset Management

Audit Observation	Comments of the Sabha	Recommendation
Although a person had illegally occupied a portion of land measuring approximately 07 perches at the Hasalaka Weekly Fair land and used it for residential purposes, no steps had been taken to remove the illegal occupant.	A letter of request has been submitted to the Local Government Commissioner to take legal action regarding the unauthorized construction of a market place in Hasalaka, owned by the Minipe Pradeshiya Sabha.	Legal action should be taken and the illegal occupant should be removed.