

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Panwila 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, the financial statements give a true and fair view of the financial position of the Panwila Pradeshiya Sabha as at 31 December 2024, and of its financial performance for the year then ended in accordance with Generally accepted Accounting Practices.

1.2 Basis for Un qualified Opinion

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 this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my Un 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 Sub-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:

- Designed and performed the appropriate audit procedures, identified and assessed the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- Obtained 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluated 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 the Pradeshiya Sabha 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 Non- Compliances

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

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

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Sabha	Recommendation
Pradeshia Sabha (Finance and Administration) Rules, 1988 Rules 218	A survey of lands and buildings had not been conducted.	The survey will be completed promptly.	Assets should be surveyed and identified.

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. 7,517,246 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 3,339,713 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	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
(i) Rates and Taxes	1,492,000	1,485,641	1,788,140	586,388	1,473,500	1,487,756	1,727,818	888,886	
(ii) Rent	4,649,650	2,123,251	2,412,901	5,872,250	7,216,920	4,316,650	2,979,450	6,161,900	
(iii) License Fees	2,196,800	2,137,686	2,853,795	546,475	2,100,000	1,245,645	1,093,654	1,262,584	
(iv) Other revenue	10,635,855	11,119,764	11,546,935	5,523,693	9,496,860	8,744,508	8,871,449	5,950,864	
	18,974,305	16,866,342	18,601,771	12,528,806	20,287,280	15,794,559	14,672,371	14,264,234	

2.2.2 Performance in Revenue Collection

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

Audit Observation	Comments of the Sabha	Recommendation
<p>(a) Rates and Tax</p> <p>The arrears balance of rates as at the end of the year under review was Rs. 520,772. Out of this, there were 18 assessment units with an arrears rates exceeding Rs. 5,000 per unit, resulting in a total outstanding balance of Rs. 136,458.</p>	<p>Action will be taken to recover it in the future.</p>	<p>Arrears of revenue should be collected promptly.</p>
<p>(b) Rent</p> <p>Due to the suspension of the prosecution by the former chairman regarding 03 stalls in the public market complex belonging to the Sabha, it was not possible to recover the arrears of rent of Rs. 584,100 from those three stalls.</p>	<p>The arrears will be collected in the future.</p>	<p>Arrears of rent should be collected promptly.</p>
<p>(c) Other Income</p> <p>The arrears water charges balance as at the end of the year under review was Rs. 1,098,814. Therein, no action had been taken to recover total water fee arrears of Rs. 672,386 from 87 water consumer units, whose water charges arrears exceeded Rs. 5,000 per unit. Also, the arrears water charges balance as at the end of the year under review included an arrears of Rs. 540,080 in the water projects of Alakola Colony and Alakola Gam Udawa. It had not been possible to provide proper water supply to the people in those areas, and water charges billing for these 02 projects had also been stopped from May 2023.</p>	<p>Action will be taken to write off the arrears of the inactive water project and to collect other arrears.</p>	<p>Action should be taken to recover arrears of water charges, and alternative water supply systems should be established for areas where water supply has been disconnected.</p>
<p>(d) Court fines and Stamp duty</p> <p>The stamp duty receivable from the Chief Secretary of the Provincial Council and other authorities as at 31st December of the year under review was Rs. 3,109,300. Out of this, there was a stamp duty balance of Rs. 488,000 relating to the years 2017 - 2018.</p>	<p>Action will be taken to recover the outstanding amount in the future.</p>	<p>The arrears of revenue should be recovered.</p>

3. Operational Review

3.1 Management inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
The total of 05 accounts receivable balances as at 31st December of the year under review was Rs.1,204,845. Out of this, the total of the account balances relating to the period between 1 to 5 years was Rs.627,277 and the total of the balances existing for more than 5 years was Rs.345,278.	Action will be taken to recover the arrears.	The amount receivables should be recovered.

3.2 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
The Knuckles Holiday Resort, which was built at a cost of Rs. 4,404,748 in 2015, was still idle or underutilized as of the end of the year under review. Although this building was built with the aim of attracting tourists and generating income, the building had been allowed to be destroyed without fulfilling its intended purpose.	The relevant property will be leased out next year.	Deficiencies should be completed and income should be generated by utilizing assets.

3.3 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
The ownership of 04 community halls 02 cemeteries, the land where the Knuckles Tourist Building is located with total value of Rs. 1,006,250, and a motorcycle worth Rs. 160,000, which are used by the Sabha, had not been taken over.	Arrangement will be made to take over the ownership.	The ownership of the Sabha owned assets should be taken over.

3.4 Defects in Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
Based on the provisions of the State Ministry of Provincial Councils and Local Government, with an estimated cost of Rs. 14,000,000 in the year 2021 and a contract was signed for Rs. 13,087,407 to construct a	The project remains idle, as there was not enough time to complete it.	The deficiencies should be completed and the building should be utilized for useful task.

hospitality house at the Knuckles Tourist Facility Centre; Although the contractor had completed work worth Rs. 5,866,560 as of April 04, 2022, the remaining work of the project had been halted due to non-disbursement of funds by the Ministry of Local Government. The Provincial Councils and Local Governments had paid Rs. 5,182,221 to the contractor on 29 May 2023 for the completed works, and with the agreement to provide funds again from the Ministry of Local Government, an estimate of Rs. 17,272,967 had been prepared and public tenders had been called in the last quarter of 2024 to complete the remaining works. Due to the delay in providing the funds, the tenderers had not come forward and the project could not be completed during the year under review, hence the amount of Rs. 5,182,221 incurred had been an uneconomical expense.

3.5 Human Resources Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	When comparing the approved staff and the actual staff, there were 10 vacancies in 06 posts and 04 excess in one post.	Vacancies exist due to public policy decisions.	Vacancies should be filled and public services should be maintained efficiently.
(b)	A total of Rs. 555,919 in loan balances had not been recovered from an officer whose service was suspended during the year under review and from two employees who died in the year 2020.	Action will be taken to recover it.	Outstanding loan balances should be recovered.

4. Accountability and Good Governance

4.1 Environmental issues

	Audit Observation	Comments of the Sabha	Recommendation
(a)	As per the provisions of Section 93 (b) of the Pradeshiya Sabha Act No. 15 of 1987, a Gully service had not been maintained for the disposal of sewerage from houses in the area.	The support will be sought from nearby local government institutions.	The Sabha should meet the public needs of the area.

(b)	In accordance with Section 78 (1) of the Pradeshiya Sabha Act No. 15 of 1987, drinking water was distributed without treatment from 03 water projects belonging to the Sabha, without paying attention to public health.	The water in 04 water projects is of good quality.	Water samples should be tested, the water should be purified, and clean drinking water should be distributed.
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4.2 Sustainable Development Goals

Audit Observation	Comments of the Sabha	Recommendation
Although the Sabha had identified sustainable development goals and targets in accordance with the provisions of the Sustainable Development Act No. 19 of 2017, it had not taken steps to achieve them.	The programs were held.	Sustainable development goals and targets should be identified and implemented.