

Malimbada Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Malimbada Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the income and expenditure account, statement of changes in net assets and 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 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 accompanying financial statements give a true and fair view of the statement of financial positions as at 31 December 2024 of the Malimbada Pradeshiya Sabha, and of its financial performance and its cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

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 Generally Accepted Accounting Principles, 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 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:

- 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 the 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 Industry;
- Whether the Pradeshiya Sabha has performed according to its powers, functions and duties; and
- Whether the resources 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

The National Audit Act No.19 of 2018 includes special provisions regarding the 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 included all the recommendations made by me in the previous year described in paragraph 1.6 of this report 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 observations	Comments of the Council	Recommendation
(a) The balance of lands and buildings owned by the Council as at the end of the year under review was understated by Rs.13.80 million.	That, it will be corrected in the future.	Land and buildings should be accounted at the correct value.
(b) The value of 03 capital debtor balances of Rs.1.25 million and the value of 05 capital creditor balances of Rs.1.98 million as at the end of the year under review was overstated.	That, it will be corrected in the future.	Action should be taken to remove the over-accounted value from the capital debtor and creditor balance.
(c) The value of 02 capital creditor balances at the end of the year under review had been understated by Rs.2.23 million.	That, it will be corrected in the future.	Actions should be taken to correct capital creditor balances.
(d) The values of the Vaibiniya Watta land and the 02 lands in Sultanagoda Guruwalayagodella owned by the Council had not been assessed and accounted.	Since the deeds and plans have not been provided, the Vaibhiniya Watta cannot be assessed, and the Sultanagoda Watta has been assessed.	The value of 02 Land should be assessed and accounted under Land.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the recurring income exceeding the recurring expenditure of the Council for the year ended 31 December of the year under review was Rs.62.75 million, and

correspondingly, the recurring income exceeding the recurring expenditure of the previous year was Rs.15.29 million.

2.2 Revenue Administration

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

As per the information submitted by the Secretary, the following is the information regarding estimated revenue, billed revenue, collected revenue and outstanding revenue for the year under review and the previous year.

Source of Revenue	2024				2023				Total Arrears as at 31 December
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Assessment and Taxes	2,181,500	2,153,143	2,133,097	238,593	4,335,700	1,994,663	1,909,010		218,547
(ii) Rent	4,072,200	3,564,685	3,768,021	101,177	9,147,500	3,173,969	3,097,857		304,513
(iii) License fee	1,408,000	1,304,195	1,304,195	-	1,363,000	980,675	1,108,875		-
(iv) Other Revenue	5,700,400	10,380,077	10,530,139	45,850	7,764,300	11,300,079	11,304,599		195,912
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	13,362,100	17,402,100	17,735,452	385,620	22,610,500	17,449,386	17,420,341		718,972

2.2.2 Performance in collecting Revenue

The observations regarding the performance of the revenue collection of the Council as follows,

Audit observations	Comments of the Council	Recommendation
(a) Assessment		
Action had not been taken to recover assessments from 5098 of assessment properties belonging to 17 Grama Niladhari divisions by the end of the year under review that had been identified as developed areas and declared in 2022.	That, the assessments will be collected in the future.	Assessments should be obtained within a specific period of time and assessments should be levied.

(b) Other Revenue

The court fines of Rs.0.34 million and stamp duty of Rs.99.29 million were to be received from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2024.	This outstanding amount is being recovered.	Arrears of revenue should be collected promptly.
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3. Operational Review

3.1 Performance of functions assigned by the Act

The following is an observation regarding the performance of the duties that the Council was required to perform under Section 3 of the Pradeshiya Sabha Act as to regulate and control matters relating to public health, public utility services and public roads, to ensure the comfort, convenience and welfare of the people.

Audit observations	Comments of the Council	Recommendation
Action had not been taken to obtain an environmental protection permit from the Central Environmental Authority for the compost project, which has been running in the Kekilla area of Sultanagoda since 2013 by the end of the year under review and the Council had not implemented a formal program for the disposal of non-biodegradable waste.	That the action will be taken to obtain an environmental protection permit in the future.	Environmental protection permits should be obtained and a formal solid waste management system for non-biodegradable waste should be established and implemented.

3.2 Human Resource Management

	Audit observations	Comments of the Council	Recommendation
(a)	There was a surplus of 33 positions at the end of the year under review as per the staff plan.	Information has been provided to minimize secondary level officers.	Staff requirements should be reviewed and staff should be managed accordingly.

- (b) A field worker and a health worker of the Council had been assigned other duties without being assigned the proper duties and a total of Rs.0.34 million had been spent from the Council's fund as salaries and allowances during the year under review.
- They are hired based on service requirements and paid regular salaries, and maintenance work is carried out at an optimal level using other workers.
- Duties should be assigned in accordance with the position recruited.