

Monaragala Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Monaragala pradeshiya sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, Statement of Net Assets Changes, Cash Flow Statement 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, the sub section 172(1) of 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 financial statements give a true and fair view of the financial position of the Monaragala 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 Qualified Opinion

I expressed qualified opinion regarding financial statement 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 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 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 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 include 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 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 Observation	Comments of the Council	Recommendation
(a) The value of Rs. 1,231,200 of 162 water meters purchased in the year under review had not been accounted for.	This is an accounting error. Work has now been done to correct it.	The asset value must be entered and the accounts corrected.
(b) As at 31 st December of the year under review, the remaining gas in the crematorium belonging to the council, 288.1 kg, valued at Rs. 138,280, had not been accounted for.	-Do-	The accounts should be corrected by entering the stock value.
(c) As at 31 st December of the year under review, the value of stationery stock of Rs. 75,960 had been recorded twice.	-Do-	The accounts must be corrected.
(d) The bill value payable for the road development project was understated by Rs. 193,799 and the capital expenditure was understated by Rs. 193,799.	-Do-	-Do-
(e) Although the value of roads was not accounted for as per the Pradeshiya Sabha rules, Rs. 21,621,719 spent on the road estimate for the year under review had been capitalized.	-Do-	-Do-
(f) Since 09 lands owned by the Council, which were valued at Rs. 305,587,500, were stated as Rs. 161,801,813 in the Statement of Financial Position as at 31 st December of the year under review, Non-current assets were understated by Rs. 143,785,687.	This is an accounting error. Work has now been done to correct it.	The accounts must be corrected.

1.7 Non- Compliances

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

All observations related to non-compliances with Laws, Rules, Regulations and Management decisions etc. be shown under this heading.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Gazette Extraordinary No. 1597/8 dated 17 April 2009	Out of 135 building applications approved by the Council from 2018 to 2020, certificates of compliance had not been issued for 116 building plans.	It is not possible to provide certificates of conformity for all building plans.	Action should be taken in accordance with the Extraordinary Gazette.
(b)	Employees' Trust Fund Act No. 46 of 1980	Payments of Rs. 179,039 had not been made to the Employees' Trust Fund for the period from January 2015 to July 2024 on behalf of 06 employees working in the Pradeshiya Sabha.	Payment will be made after approval is received.	Arrangements should be made to remit contributions to the Employees' Trust Fund on specific dates.

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 31December 2024 amounted to Rs. 40,206,090 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 13,465,208 in the preceding year.

2.2 Financial Control

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

According to the information submitted by the Council Secretary, the information on estimated income, billed income, collected income and arrears of income submitted for the year under review and the previous year is shown below.

		<u>2024</u>				<u>2023</u>			
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)	Assessments and taxes	15,085,800	14,874,821	12,452,555	19,152,883	14,123,230	13,710,743	16,106,287	17,314,706
(ii)	Rent	23,796,650	31,948,489	25,875,436	23,389,627	20,775,000	23,805,274	21,358,681	19,207,720
(iii)	License fees	2,230,100	756,258	756,258	-	1,558,100	1,710,024	1,710,024	-
(iv)	Other Revenue	19,382,000	55,869,860	55,869,860	-	29,246,336	39,694,842	39,694,842	-
	Collection	60,494,550	103,449,428	94,954,109	42,542,510	65,702,666	78,920,883	78,869,834	36,522,426

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 Council	Recommendation
(a)	Out of the total revenue billed in the year under review of Rs. 103,449,428, Rs. 42,542,510 had not been collected by the end of the year, which was 41 percent of the total billed revenue.	That step will be taken to promptly recover the arrears of revenue.	Steps should be taken to collect billed revenue.
(b)	Arrears of assessments and tax		
(i)	As at 31st December of the year under review, Rs. 14,874,821 had been billed for collection of assessments and 46 percent of the total assessments, that is Rs. 6,841,673, remained to be recovered.	That step will be taken to recover the outstanding amounts promptly.	Arrears of assessments should be collected promptly.
(ii)	As at 31st December of the year under review, the outstanding assessments due from years prior to 2019 to 2023 were Rs. 12,311,210.	Further steps will be taken to recover outstanding amounts.	Taxes should be levied according to the provisions of the Act.
(c)	Rent The billed income of 128 shops belonging to the council during the year under review was Rs. 10,006,680 and 48 percent of that income, that is Rs. 4,799,265, remained to be collected.	That step will be taken to recover the outstanding amount in the future.	According to the agreement, arrears of revenue should be recovered promptly.

(d) Other Revenue

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| (i) | The revenue billed from the lease of 12 tender properties belonging to the Council during the year under review was Rs. 17,279,959 and 21 percent of that revenue, that is Rs. 3,587,383 remained to be collected. | Legal action should be taken regarding outstanding amounts. | Billed revenues must be collected promptly according to the agreement. |
| (ii) | As at 01 st January of the year under review, the outstanding tender property lease income from the year 2016 to the year 2023 was Rs. 10,665,776 and only 6 percent of that value, that is Rs. 657,642, was collected in the year under review. | This amount will be collected promptly. | Legal action should be taken and the outstanding revenue should be recovered promptly. |
| (e) | The outstanding billboard revenue of Rs. 126,850 from 92 institutions for the year under review remained to be collected. | This amount will be collected promptly. | Notice board fees must be collected during the year. |
| (f) | The outstanding water charges due from 271 consumers from the year 2020 to 31st December of the year under review amounted to Rs. 2,275,350. | This amount will be collected promptly. | Arrears of revenue should be collected promptly. |

2.2.3 Arrears Court fines and Stamp duty

Audit Observation

Comments of the Recommendation Council

Action had not been taken to collect the court fines of Rs. 3,112,128 and stamp duty of Rs. 36,930,312 that were due as of December 31 of the year under review from the Chief Secretary of the Provincial Council and other authorities.

That step will be taken to recover the outstanding revenue in the future.

Action should be taken to recover the outstanding revenue within the year.

2.3 Surcharges

Audit Observation

Comments of the Recommendation Council

Out of the Rs. 155,080 imposed in the year 2007 in respect of the recovery of loss incurred to the council fund due to negligence or misconduct in the sale of beef, Rs. 129,590 remained to be recovered as on 31st December of the year under review.

Please be informed that the relevant amount is being charged in instalment.

Surcharges should be collected promptly.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
During the first tender for the lease of No. 03 Beef Shop belonging to the Pradeshiya Sabha for the year 2024, the two bidders who submitted the highest bid did not pay the relevant deposit and enter into a contract. When the second call for bids was made on the instructions of the Provincial Administration Commissioner, two parties filed a case against the council and the cases were dismissed by the Uva Provincial High Court. Accordingly, the council had not taken steps to recover the financial loss of Rs. 2,732,121 from the parties who filed the case as of December 31 of the year under review due to the inability to lease the relevant property to the council for a period of 03 months and 08 days.	Legal steps have been taken to recover the losses incurred.	Action should be taken to recover financial losses.

3.2 Assets Management

Audit Observation	Comments of the Council	Recommendation
Steps had not been taken to take over 54 cemeteries and 01 playground located within the council's jurisdiction and accounted.	These cemeteries will be settled and accounted for after handed over in the future.	Steps should be taken to take over the cemeteries and playgrounds belonging to the council and accounted.

3.3 Identified Losses

Audit Observation	Comments of the Council	Recommendation
Although the lessee is required to pay the monthly water and electricity bills of the leased property in accordance with Section 06 of the lease agreement for the properties belonging to the council, when leasing 03 properties belonging to the council, the lessees had refused to pay the bills as various parties were drawing water from the relevant water taps and the council had not made a formal arrangement to supply water to the leased properties and had paid Rs. 278,520 from the fund due to the failure to lease the properties after making formal arrangements.	The Secretary was instructed to pay the monthly water bill from the council fund until the existing issues are resolved.	Separate water facilities should be provided for leased properties.

3.4 Procurement Management

Audit Observation		Comments of the Council	Recommendation
(a)	Contrary to the provisions of paragraph 3.6. of the Government Procurement Guidelines, prices were initially called for 100 green bulbs, and based on that procurement decision, 1000 bulbs were purchased on 12 subsequent occasions and Rs. 2,350,000 was paid for them. Thus, after 06 months from the initial procurement date, 250 bulbs were purchased and Rs. 587,500 was paid.	That work will be done to correct the shortcomings in the future.	Procurement activities should be carried out transparently as per the circular.
(b)	A 15 watt green bulb with a 3 year warranty could have been purchased for Rs. 1,535 each, but as per the decision of the Procurement Committee, 1000 bulbs were purchased for Rs. 2,350 each, resulting in a loss of Rs. 815,000 to the council fund.	That work will be done to correct the shortcomings in the future.	Procurement activities should be carried out transparently in accordance with the circular.

3.5 Human Resources Management

Audit Observation		Comments of the Council	Recommendation
(a)	As of December 31st of the year under review, there was a shortage of 09 employees in accordance with the approved staffing for 07 posts in the Council.	The Department of Local Government has been informed in writing regarding staff vacancies.	Staff vacancies must be filled.
(b)	The employee loan of Rs. 203,762 given to three employees of the Pradeshiya Sabha from the year 2001 to the year 2004 had not been recovered.	That outstanding loan balances will be recovered promptly.	Employee loan balances should be recovered promptly.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation		Comments of the Council	Recommendation
When comparing the estimated income and expenditure according to the budget prepared by the Pradeshiya Sabha for the year under review with the actual income and expenditure of the year, there were variations ranging from 10 percent to 37 percent in 08 revenue items and from 1 percent to 47 percent in 07 expenditure items.		That step will be taken to prepare the budget properly in the future.	Annual budget estimates should be prepared more realistically and efforts should be made to achieve those goals.