Thanamalwila Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Thanamalwila 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 Thanamalwila 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)	Rs. 12,977,139 incurred for 03 projects in the year under review had not been capitalized.	It will be done to correct in 2025.	Fixed assets must be accounted for correctly.
(b)	As at 31st December of the year under review, Rs. 3,486,447 which should have been accounted for as machinery and equipment had been accounted for under furniture and fixtures.	-Do-	-Do-
(c)	The value of 02 lawn mowers purchased for Rs. 43,800 in the year under review had not been accounted for.	-Do-	-Do-
(d)	As at 31st December of the year under review, the value of various deposits due for repayment had been overstated by Rs. 8,087,733.	-Do-	The accounts must be corrected.
(e)	As at 31st December of the year under review, the amount of Rs. 385,923 had not been accounted for.	Those steps will be taken to correct the situation when preparing the final accounts for the year 2025.	Withholdings must be accounted for correctly.

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)	**Pradeshiya Sabha Act No. 15 of 1987 Section 19 (xii)**	The shop at Thanamalwila Bus Stand No. 03 was leased for a period of 30 years without obtaining the approval of the Minister in charge of the subject.	That the necessary steps are being taken to obtain approval.	Approval must be obtained from the Minister in charge of the subject matter regarding long-term leasing of property.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i)	Financial Regulations 770(4)	Nine vehicles and machinery owned by the council were idle for periods ranging from 1 to 19 years.	Step will take in accordance with financial regulations in the future.	Action should be taken to repair or dispose of vehicles that are in a non-functional condition.
(c)	Section 4(i) of the Stamp Duty (Special Provisions) Act, No. 12 of 2006	The stamp duty of Rs. 120,621, which was to be charged when leasing a certain property, had not been collected from the lessees.	Steps will be taken to recover the outstanding amount.	Action should be taken as per the circular.

02. 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. 29,874,162 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 23,211,085 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

The following are observations regarding the revenue collection performance of the council.

	Audit Observation	Comments of the Council	Recommendation
(a)	Out of the total revenue billed in the year under review of Rs. 53,243,710, Rs. 22,943,039 had not been collected by the end of the year, which was 57 precent of the total billed revenue.	That action will be taken to collect.	Efforts should be made to collect the relevant income for the year within the year.
(b)	As at 01st January of the year under review, the outstanding weekly fair fee income relating to previous years was Rs. 10,518,074 and only 15 percent, that is Rs. 1,553,000, had been received during the year.	Steps will be taken to recover the arrears of revenue in 2025.	Action should be taken to recover the outstanding revenue as per the agreement.
(c)	As at 01st January of the year under review, the outstanding rental income for previous years was Rs. 2,979,470, while only 07 percent, that is Rs. 207,615, had been received during the year.	That step will be taken to recover the remaining money in the future.	-Do-

2.2.2 Court fines and Stamp duty

Audit Observation	Comments of the Council	Recommendation
As at 31st December of the year under review, court fines of Rs. 13,794,768 and stamp duty of Rs. 4,309,994 had not been collected.	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.

3. Operational Review

3.1 Performance

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 Council	Recommendation
During the construction of a security fence around the 7th mile post playground in the Thanamalwila Pradeshiya Sabha area, it was not estimated to concrete the relevant wire posts, so the installed wire posts fell and the wire fence came off, and the security fence constructed at a cost of Rs. 408,248 had not fulfilled the intended purpose.	Provisions will be allocated under a new estimate to restore the fence to its original condition.	The project must be carried out correctly.

3.2 Management Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	Although it had been recommended that the loss of Rs. 120,000 incurred due to a cab accident in 2023 be recovered from the driver, it had not been implemented.	The subject officer has been instructed to charge from June 2025.	The relevant recommendations should be implemented promptly.
(b)	Revenue licenses had not been obtained for 22 vehicles and machinery owned by the Thanamalwila Pradeshiya Sabha, of which 7 vehicles did not have registration certificates, and another 10 vehicles had not obtained revenue licenses for a period of 1 to 23 years.	The subject officer has been instructed to take steps to obtain revenue licenses.	Registration should be formalized and revenue licenses should be obtained for vehicles and machinery.
(c)	Insurance coverage had not been obtained for the stone rolls used by the council since 2015.	That the registration certificate has not been issued by the Ministry of Provincial Councils and Local Government.	Must take over the registration rights and obtain insurance coverage.
(d)	The Welimada Pradeshiya Sabha had not taken steps to take over the motor grader that had been given to the Thanamalwila Pradeshiya Sabha.	Steps will be taken to quickly take over under the asset transfer.	The ownership of the machinery should be transferred to the council.
(e)	The Pradeshiya Sabha had not entered into contracts with the lessees of the 4 shops leased, and although 1 to 11	That the necessary instructions for entering into the contract have	An agreement must be entered into when leasing council-owned property.

	years had passed since the contractual period of the 4 shops expired, the contracts had not been signed.	been provided to the subject officer.	
(f)	A surcharge of Rs. 534,643 was imposed on the Council due to non-payment of 3 percent employee trust contributions for the period from October 2015 to November 2022 and this surcharge was paid by voucher No. 01/41 dated January 30, 2024.	That the action to pay was taken due to a statutory obligation.	Officers responsible for delaying payment should be dealt with in accordance with Financial Regulation 156.

3.3 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	The ownership of 134 lands belonging to the Pradeshiya Sabha had not been transferred to the council and survey work had not been carried out on 132 lands.	That all property surveys will be completed, settled and taken over.	Steps should be taken to promptly acquire ownership of the lands owned by the Pradeshiya Sabha.
(b)	Steps had not been taken to include the lands and buildings worth Rs. 49,576,867 belonging to the Pradeshiya Sabha in the fixed assets register.	That step will be taken to include fixed assets under lands and buildings in the year 2025.	The fixed asset register must be updated and maintained accurately.
(c)	94 cemeteries belonging to the council, 03 lands where the weekly market is located, and 10 playgrounds had not been assessed and accounted for.	The fees for surveying 18 cemeteries have been paid and completed.	The property owned by the council must be valued and accounted for.

3.4 Human Resources Management

	Audit Observation	Comments of the Council	Recommendation
(a)	As at 31st December of the year under review, there was a shortage of 9 employees in 04 posts in the Council and a surplus of 2 employees in 02 posts.	The Local Government Commissioner has been informed.	Efforts should be made to balance the surplus and shortage of workers.

(b) **Employee Loan**

As at 31st December of the year under review, Rs. 273,535 was due from 07 employees who had transferred, retired, suspended, left the service and died.	Legal action will be taken.	Action should be taken to promptly recover outstanding employee loans.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
When comparing the estimated income and expenditure as per the document planned by the Pradeshiya Sabha for the year under review, the actual year income and expenditure of the year showed variations in the prices of 07 broadcasting subjects ranging from 05 to 102 and expenditure of 06 subjects ranging from 44 to 233.	The budget will be prepare properly in the future.	Annual budget estimates should be prepared more realistically and efforts should be made to achieve those goals.