

Meegahakiula Pradeshiya Sabha – 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Meegahakiula 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 Changes in equity, 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 Meegahakiula 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 completed final work of projects implemented in the year under review amounted to Rs. 4,526,555 and had not been capitalized under Land and Buildings.	That will be done to correct it next year.	The accounts must be corrected.
(b) The closing stock included 37 units of 05 types of goods with a total value of Rs. 824,400 to be shown under property, plant and equipment.	That is being done to correct the final stock.	-Do-

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
Evidence including detailed supporting documents was not submitted for 04 account balances worth Rs. 6,991,213 included in the value of property, plant and equipment as at 31st December of the year under review.	That a formal appraisal will be carried out and the value will be calculated and presented.	Evidence including detailed schedules must be submitted.

1.7 Non- Compliances

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

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions etc as follows.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka 134(3)	Internal audit reports had not been submitted to the Auditor General for over 05 years.	That audit reports have been submitted.	Audit reports must be submitted to the Auditor General in accordance with financial regulations.

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. 2,393,990 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 1,542,877 in the preceding year.

2.2 Revenue Administration

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

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

<u>2024</u>					<u>2023</u>				
Source of income	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.	Rs.
(i) Rates and Taxes	2,754,000	2,893,889	2,289,475	948,062	2,703,800	1,849,781	1,339,772	852,548	
(ii) Rent	4,796,200	4,725,460	4,252,267	1,671,514	5,161,400	4,479,220	4,228,470	1,368,705	
(iii) License fees	839,500	900,724	755,626	145,098	750,000	400,524	399,275	1,249	
(i) Other Revenue	3,519,500	1,096,451	940,551	155,900	3,947,498	3,244,964	2,920,809	324,155	
Total	<u>11,909,200</u>	<u>9,616,524</u>	<u>8,237,919</u>	<u>2,920,574</u>	<u>12,562,698</u>	<u>9,974,489</u>	<u>8,888,326</u>	<u>2,546,657</u>	

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
The arrears of rent in Rs. 644,400 for the 08 stalls at the Meegahakivula New Bus Stand, which had been leased since 2022, had not been recovered in the year under review.	Although the shops have been contracted, the business premises are closed due to the fact that the business premises are not located facing the main road and the difficulties in accessing the premises, resulting in customers not coming to trade.	The bus stop access road issue should be resolved and rent should be collected as per the agreement.

2.2.3 Court fines and Stamp duty

Audit Observation	Comments of the Council	Recommendation
Court fines of Rs. 3,877,820 and stamp duty of Rs. 200,703, which were receivable as of December 31 of the year under review, had not been collected from the Chief Secretary of the Provincial Council and other authorities.	The schedules have been forwarded to the Department of Local Government.	Arrears of court fines and stamp duties should be collected.

3. Operational Review

3.1. Performing of Functions Enacted 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 Council	Recommendation
(a) The street lamp prescription document stated that 135 street lamps had been installed on 11 main roads within the council area as a public utility service in accordance with Section 105 (b) of the Pradeshiya Sabha Act No. 15 of 1987. Out of 14 street lamps on the road from Meegahakivula to Gurumada Junction on the Ketawatta Road, 12 were inoperative. This was 85.7 percent as a percentage.	A survey has been conducted and work has begun to update it.	Public utility services must be maintained and maintained.

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| (b) | Nearly 760 water consumers consume water from 07 water projects belonging to the council, and water samples had not been tested to ensure that the water was suitable for drinking water needs. | Letters have been sent to the Office of the Medical Officer of Health to have water samples from 06 projects tested. | Steps should be taken to provide clean drinking water to the public. |
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3.2 Management Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	A thread mill set had been purchased for the Uva Wellassa Development Foundation in Meegahakivula area at a cost of Rs. 255,000 from the council funds. The set of equipment was not presented for physical inspection, and the council was not informed about the location of the relevant center.	Although equipment had been formally issued to the Uva Wellassa Development Foundation to run a bodybuilding center, it was a center not supervised by the council, and the council was not aware of such a center.	Council funds should be identified and allocated on a priority basis.
(b)	Rs. 1,072,586, whose receivables and existence could not be confirmed for more than 10 years, had been accounted for under current assets.	It is stated that water charges and arrears of shop rent, for which no time frame is specified, have been submitted to the Honorable Governor and arrangements have been made to write them off.	The balance must be settled.

3.3 Operational Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	The council had to pay a surcharge of Rs. 78,955 due to non-payment of employee trust funds on time for 06 employees employed from July 2016 to November 2023.	Interest has had to be paid due to non-payment of employee trust funds on the due date.	Surcharges should be dealt with in accordance with Section 156 of the Act.

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| (b) | Investigations had not been carried out in accordance with Financial Regulation 104 (4) regarding the cab worth Rs. 7,650,000 that was set on fire and destroyed due to the unrest that had erupted in the Colombo area on 9 th of May 2022. | The council has not yet received the 104(4) report to be submitted by the investigation board appointed by the Ministry regarding the burning and destruction of the cab on 9 th of May 2022, and the court proceedings have not been completed. | Losses must be recovered according to financial regulations. |
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3.4 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	The bus stand and shops, which were constructed at a cost of Rs. 33,605,179 in 2014 and 2016, remained unused and idle as at 31 st December 2024.	Although the shops have been contracted, the business premises are closed due to the fact that the business premises are not located facing the main road and the difficulties in accessing the premises, resulting in customers not coming to trade.	Efforts should be made to direct the shops to productive work.
(b)	Rs. 5,281,819 was spent from the council funds to construct 03 Karametiya weekly market stalls in the years 2021 and 2023. Three individuals had been selected to lease the stalls, and although lease agreements had been entered into with two of the lessees, they remained idle without taking steps to collect rent.	Although tenders were called for the lease of the shops, no one had submitted a tender.	Projects should be selected and constructed according to a formal plan.

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 budget prepared by the Pradeshiya Sabha for the year under review with the actual income and expenditure for the year, there were variations ranging from 65 percent to 74 percent in 02 revenue items and from 21 percent to 87 percent in 07 expenditure items. Accordingly, the budget had not been used as an effective control instrument.	That will be done to reduce the variation in the coming year.	Variability in income and expenditure should be minimized.

4.2 Environmental Problems

Audit Observation	Comments of the Council	Recommendation
Approximately 05 metric tons of non-biodegradable waste and 21 metric tons of biodegradable waste are collected annually from 134 locations within the council area, including homes, government institutions, hotels and shops. The waste collected was being illegally dumped on government land in the Meegahakivula 14th pillar area.	The solid waste unit is scheduled to be implemented after approval is received for the Thalawathenna garbage project proposal.	Garbage should be disposed of properly.