

Mawathagama Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Mawathagama Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, 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 Mawathagama 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 Non-Compliance with Generally Accepted Accounting Principles

Audit Observation	Comments of the Council	Recommendation
Rs. 256,921 had been paid as legal fees during the year in relation to 05 cases that were not resolved as at 31 st December of the year under review and this had not been disclosed in the financial statements.	That the cases that were not disclosed in the financial statements will be corrected in the final accounts of 2025.	Legal situations must be properly disclosed.

1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Fixed deposit interest income has been over-accounted for by Rs.766,331 during the year under review.	That will be corrected in the final account of 2025.	Accounts must be prepared correctly.
(b) The value of the land received by the council from a land auction company in 2022 was overstated by Rs.1,800,000.	That will be corrected in the final financial report for 2025.	Accounts must be prepared correctly.
(c) As at 31 st December of the year under review, the balance of miscellaneous deposits was overstated by Rs.7,175,910.	That will be corrected in the final financial report for 2025.	Accounts must be prepared correctly.
(d) Rs. 363,388 payable to the petrol shed in respect of the year under review had been missing from the accounts of the general supply creditors.	That will be corrected in the final financial report for 2025.	Accounts must be prepared correctly.
(e) Administrative expenses receivable in the amount of Rs.780,462 relating to the year under review had been missing from the Capital Support Account and Accounts Payable.	That will be corrected in the final financial report for 2025.	Accounts must be prepared correctly.

(f)	Rs.195,338 incurred for the improvement of a part of the Mawathagama Pre-School building had not been capitalized as an asset.	That will be corrected in the final financial report for 2025.	Accounts must be prepared correctly.
(g)	As at 31st December of the year under review, employee loans of Rs.137,827 were understated in the statement of financial position.	That the facts will be investigated and corrected.	Accounts must be prepared correctly.
(h)	The stamp duty payable as at 31st December of the year under review had been over-accounted for by Rs.130,809.	That the facts will be investigated and corrected.	Action should be taken to prepare accounts correctly.
(i)	The total value of 05 other revenue heads related to the year under review had been understated by Rs.32,267,087 in the financial statements.	That will be corrected in the final financial report for 2025.	Accounts must be prepared correctly.
(j)	The total value of 04 recurrent expenditure heads relating to the year under review had been overstated by Rs.721,241 in the financial statements.	All corrections will be corrected in the next financial statement.	Accounts must be prepared correctly.
(k)	The value of 02 capital expenditure expenditure heads relating to the year under review was overstated by Rs.58,773,997 and the value of 02 capital expenditure expenditure heads was understated by Rs.58,070,706.	All corrections in this regard will be corrected in the next financial statement.	Accounts must be prepared correctly.

1.6.3 Unreconciled Control Account

	Audit Observation	Comments of the Council	Recommendation
(a)	As at 31 st December of the year under review, there was a difference of Rs.55,009,948 between the balance as per the financial statements and the balance as per the schedules of 07 asset items and 06 liability items	That will be corrected in the final account of 2025.	The balances as per the schedules and the balances as per the financial statements should be adjusted accordingly.
(b)	Although the value of asset acquisitions during the year according to the statement of financial position was Rs.10,709,836, there was a difference of Rs.358,154 due	That will be corrected in the final account of 2025.	Financial statements must be prepared accurately.

to the fact that the statement of changes in net assets was recorded as Rs.10,351,682.

(c)	Although the deficit for the year under review was Rs. 40,208,198, it was recorded as Rs. 6,139,451 in the statement of changes in net assets, resulting in a difference of Rs. 34,068,747.	That will be corrected in the final account of 2025.	Financial statements must be prepared accurately.
(d)	As at 31st December of the year under review, there was a difference of Rs. 38,526,535 between the value of 21 motor vehicles and carts as shown in the financial statements and the balance shown in the fixed assets register.	Action will be taken to correct the fixed asset register in the future.	The fixed asset register must be prepared correctly.

1.6.4 Failure to submit information required for audit

Audit Observation	Comments of the Council	Recommendation
Due to non-submission of balance confirmations and schedules, 04 accounting items totaling Rs.366,294 could not be satisfactorily verified during the audit.	It is a balance that has been going on for years and there is no information about how the balance was formed.	The necessary evidence must be submitted to the audit to verify the balances shown in the financial statements.

1.7 Non- Compliance

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

Non-compliance with Laws, Rules, Regulations and Management Decisions as show below.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i)	F.R. 371(3)	Advances worth Rs. 410,043 had not been settled by December 31st.	That will work to resolve the matter in the future.	Financial regulations must be followed.
(ii)	F.R. 571(2)	Action had not been taken to settle the mixed deposits worth Rs. 999,147, which had exceeded 02 years, in	That work will be done to resolve the issue in 2025.	Financial regulations must be followed.

accordance with the financial regulations.

(iii)	F.R. 893	As of December 31st of the year under review, action had not been taken to release the bail of 08 officers who retired and transferred, amounting to Rs. 121,842.	That all bail money will be released in 2025.	Financial regulations must be followed.
(b)	Public Administration Circulars			
(i)	Circular No. 01/2002 dated 25th February 2002	The state emblem was not marked with the name of the institution on 26 vehicles owned by the council.	That work will be done to paint these emblems on vehicles that do not have the state emblems painted on them.	Action should be taken as per the circular.
(ii)	Paragraph 3(1) of Circular No. 30/2016 dated 29th December 2016	Fuel combustion tests had not been carried out on 17 vehicles belonging to the Pradeshiya Sabha as per the circular.	Local government mechanical engineers will be informed and steps will be taken to conduct fuel combustion tests in the future.	Action should be taken as per the circular.
(c)	Circular No. NWP/CS/AD/12/6-3 dated 09 March 2023 regarding bail of Provincial Government Officers	As of December 31st of the year under review, 06 employees had been given bail and 10 other officers who were required to give bail had not been given bail as per the circular.	The opening of savings accounts is currently underway and bail deposits are scheduled to be collected from salaries from January.	Action should be taken according to the circular instructions.

2. Financial Review

2.1 Financial Results

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.4,697,558 as compared with the excess of revenue over recurrent expenditure amounted to Rs.18,481,614 in the preceding year.

2.2 Financial Control

Audit Observation

As at 31st December of the year under review, there was a difference of Rs. 253,488 between the balance as per the cash book of the Bank of Ceylon Current Account and the balance as per the financial statements.

Comments of the Council

This is a change that occurred during online payments under the CAT software.

Recommendation

The difference should be identified and recorded correctly in the financial statements.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenues

According to the information presented by the Secretary, the information on estimated revenue, billed revenue, collected revenue and arrears of revenue presented for the year under review and the previous year are as follows.

Source of income	2024 Year				2023 Year			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 Decemb	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 Decemb
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates and Taxes	5,411	5,903	6,679	7,599	3,911	3,911	2,646	8,371
Rent	13,550	13,550	13,941	663	3,801	10,339	10,513	852
License fees	500	279	279	-	500	500	640	-
Other Revenue	20,150	40,000	84,939	28,163	35,050	35,050	12,220	73,102
Total	39,611	59,732	105,838	36,425	43,262	49,800	26,019	82,325

2.3.2 Performance in Revenue Collection

	Audit Observation	Comments of the Council	Recommendation
(a)	The billed revenue for the year under review was Rs. 59.7 million and Rs. 105.8 million including arrears of revenue received in respect of previous years were collected in the year under review. At the end of the year under review, Rs. 36.4 million remained to be recovered along with the arrears of previous years.	Efforts are underway to recover the remaining arrears.	Action should be taken to recover arrears of revenue without delay.
(b)	Rates and Taxes		
(i)	Action had not been taken to recover Rs. 4,879,763 out of the arrears of Rs. 8,371,000 at the beginning of the year under review, and Rs. 2,719,274 out of the billing amount of Rs. 5,903,000.	That the remaining outstanding amounts will be collected very quickly.	Action should be taken to recover arrears of revenue and billed revenue.
(ii)	As at 31 st December of the year under review, action had not been taken to	Acreage tax payments are defaulted due to the division of	Action should be taken to recover arrears of

	recover the outstanding acreage tax amounting to Rs. 593,477.	land among family members, the sale of land in parts, payments to the Acreage Tax Agrarian Service Center, and the death of the original owners.	revenue and billed revenue.
(c)	Rent		
(i)	As at 31 st December of the year under review, Rs. 662,941 had not been collected on shop rent and asset leases.	That steps will be taken to recover the arrears in the future.	Action should be taken to recover the arrears of rent.
(ii)	As at 31 st December 2024, an arrears of rent of Rs. 288,000 was to be recovered from a public sector institution.	Necessary steps are being taken to recover the outstanding amount.	Action should be taken to recover the arrears of rent.
(d)	Other Revenue		
	Action had not been taken to collect the court fines and stamp duties of Rs.699,541 and Rs.28,162,963 respectively, which were due from the Provincial Council Secretary and other authorities as of December 31, 2024.	Action will be taken to recover court fines and stamp duties.	Action should be taken to recover the arrears of revenue.

3. Operational Review

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.

3.1 Uneconomic Transactions

Audit Observation	Comments of the Council	Recommendation
Although the installation of the filter media in the gully treatment system was completed on 31 May 2021 at a cost of Rs.279,000, the gully treatment system was inoperative by 30 November 2021. Action had not been taken to restore it by March 2025.	That expert advice will be sought and corrective action will be taken.	The filtration media should be restored and action should be taken to remove the gully.

3.2 Management Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	Although the progress in the collection of biodegradable waste during the year under review had increased by 25 percent compared to the previous year, the income from compost production and sale had decreased by 84 percent and 82 percent respectively.	The main reason was that the Bobcat machine and the Haller machine were not working.	Efforts should be made to increase fertilizer production and increase income.
(b)	As at 31st December of the year under review, out of the balance of Rs. 61,685,154 held in 17 accounts receivable, a balance of Rs. 3,612,841 was overdue for 5 years.	That action will be taken to recover the accounts receivable balance.	Action should be taken to recover the money due without delay.
(c)	Action had not been taken to settle 09 advance balances of Rs. 93,989 which had been outstanding for more than 10 years.	Further investigation is underway to remove these balances from the books.	Action should be taken to recover the money due.
(d)	As at 31 st December of the year under review, out of the balance of Rs. 74,346,277 in 20 accounts payable, there was a balance of Rs. 4,781,120 that had been outstanding for more than 05 years. No steps had been taken to investigate and settle these.	That is being done to correct accounts payable.	The existence of the account balance due should be investigated and action taken to settle it.

3.3 Transactions of Contentious nature

Audit Observation	Comments of the Council	Recommendation
The total balance of Paye Tax and Industrial Advances payable as on 01 January 2024, amounting to Rs. 97,927, had been written off to the Consolidated Fund without approval during the year.	Relevant letters will be submitted from the final accounts of 2025.	When writing off accounts payable, the necessary approvals should be obtained and action taken accordingly.

3.4 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Council	Recommendation
Although a cab and a tractor trailer owned by the council were identified for dispose in 2015 and 2019 respectively, those vehicles had not been disposed by the year under review.	That the approval of the Local Government Department will be obtained and the disposal will be carried out according to the recommendation of the Mechanical Engineer.	Permissions should be obtained and action taken to dispose.

3.5 Assets Management

Audit Observation	Comments of the Council	Recommendation
(a) 04 garbage carts/hand carts and 02 bicycles worth Rs. 117,340 included in the vehicles and carts owned by the council were not physically available.	That will investigate and take further action regarding these handcarts and bicycles.	The survival and security of the assets of the council must be addressed.
(b) Between 2016 and 31 December 2024, 435 galvanized pipes were misplaced and no steps had been taken to identify the relevant responsible parties and recover the lost items.	The previous Pradeshiya Sabha members had taken 158 GI pipes and another 180 pipes to the Kurunegala Pradeshiya Sabha and had not returned them. The members have been informed about this and asked to return them.	The responsible parties should be identified and action should be taken to recover the losses incurred by the council.

3.6 Contract Administration

Audit Observation	Comments of the Council	Recommendation
Since the roads proposed for development were selected through the District Development Committee without consulting the relevant local government institution and conducting a feasibility study, roads with a low number of beneficiary families were selected without selecting the roads to be developed according to priority within the jurisdiction.	The proposals received under the 2024 Mountain Decade program are proposals received by the Divisional Secretariat, and since the roads mentioned here are owned by the Pradeshiya Sabha, only estimates and supervision have been prepared and carried out by the technical officers of our institution.	Development activities should be carried out according to priority, while maintaining good relations between institutions.

3.7 Human Resources Management

(a) Employee vacancies and surplus

	Audit Observation	Comments of the Council	Recommendation
(i)	The council had recruited 13 employees for 07 posts that were not approved by the Department of Management Services.	Requests have been submitted to the Department of Management Services, but the relevant approvals have not been received so far.	The approved recruitment procedure should be followed.
(ii)	Fourteen officers had been deployed to perform duties in another position without performing the duties related to the position they were recruited to.	That they have been deployed as needed to fulfill the task due to vacancies in the service.	Recruitment procedures must be followed.

(b) Employee Loan

Audit Observation	Comments of the Council	Recommendation
Action had not been taken to recover Rs. 125,833 from 10 officers due to reasons such as retirement/transfer at the end of the year under review.	Action will be taken to recover the amount from the pension and from the guarantors.	Action should be taken to recover the outstanding loan balance.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Council	Recommendation
According to the action plan for the year under review, out of the 20 projects planned in the industrial sector, 08 projects worth Rs. 16,000,000 had not been completed.	The project had not been completed due to insufficient allocations.	Plans should be prepared and implemented based on budget allocations.

4.2 Environmental Problems

Audit Observation	Comments of the Council	Recommendation
Although the Pradeshiya Sabha had spent Rs. 5,149,260 in 2017 to construct the Gully Treatment Center, due to its non-utilization, the council had currently discharged the gully waste into a pit cut without proper standards.	The Kurunegala Large Sewerage Project has been informed to seek engineering advice in this regard and the Local Government Commissioner has been informed.	Waste should be disposed of in a way that does not harm the environment.

4.3 Sustainable Development Goals

Audit Observation

The council, aware of the 2030 Agenda for Sustainable Development, had implemented 15 programs at a cost of Rs. 1,350,886 for the various needs of the people in the council area.

Comments of the Council

Targeted programs are also being implemented in the year 2025.

Recommendation

Sustainable development goals and targets should be identified and efforts should be made to achieve them.