

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Namaloya Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Balance Sheet as at 31 December 2024, Income and Expenditure Account, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and Sub-section 10 (1) 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 financial statements give a true and fair view of the financial position of the Namaloya Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practices.

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 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'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.

1.4 Scope of Audit (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 skepticism 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 of the Pradeshiya Sabha 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 includes 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 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
The outstanding stamp duty income of Rs. 119,000 relating to the year 2022 had been accounted for as stamp duty income in the year under review.	That the steps will be taken to correct the mistake.	Steps should be taken to account for correctly.

1.6.2 Unreconciled Accounts or Records

	Audit Observation	Comments of the Council	Recommendation
(a)	There was a difference of Rs.6,363,063 between the balances as per the financial statements and the balances as per the schedules submitted in relation to 3 accounting items as on 31 December of the year under review.	Steps will be taken to correct the accounts.	The reasons for the discrepancy should be examined and corrected.
(b)	There was a discrepancy of Rs.9,989,070 between the accumulated fund balance and the balance in the statement of changes in equity as at 31 December of the year under review.	It was stated that steps will be taken to correct it when preparing the final accounts for the year 2025.	The difference should be examined and the accounts should be corrected.

1.6.3 Lack of Written Evidences for Audit

Audit Observation	Comments of the Council	Recommendation
It was not possible to satisfactory verify 05 accounting items totalling to Rs.83,584,167 as stated in the financial statements, due to the absence of evidence such as fixed asset records, schedules, balance confirmations, etc.	Action will be taken to correct in the future.	Evidence should be submitted to support the account balances shown in the financial statements.

1.7 Non-compliance

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

Instances of Non-compliance with Laws, Rules, Regulations and Management Decisions are shown below.

	Reference to Laws, Rules and Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Pradeshiya Sabha (Finance and Administration) Rules, 1988			
(i)	Rule 5(xii)	Steps had not been taken to obtain adequate securities from the officers responsible for financial and stores.	That the steps will be taken to recover the relevant security deposits of all officers this year.	Financial and administrative rules should be followed.
(ii)	Rule 218	Although all lands and buildings owned by the Sabha should be inspected at least once a year, no action had been taken accordingly.	A committee will be appointed to inspect the land and buildings from 2025.	Financial and administrative rules should be followed.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka 571(1), (2), (3)	The necessary action had not been taken regarding the deposit balances which had exceeded a period of 02 years after being deposited, either release to the relevant parties or to take them into revenue in accordance with the Financial Regulations.	Action will be taken to correct in the year 2025.	Financial regulations should be followed.

2 Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of income over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs.2,223,543 compared to the excess of income over recurrent expenditure amounted to Rs.3,095,029 in the preceding year.

2.2 Revenue Administration

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

According to the information submitted by the President of the Sabha, Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Source of Revenue	2024				2023			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i. Rates and Taxes	555,000	330,400	532,348	383,590	350,000	754,553	583,018	585,538
ii. Rent	2,218,605	1,969,450	1,956,800	16,400	4,173,540	1,620,640	1,619,990	3,750
iii. License Fee	577,500	597,675	597,675	22,505	837,000	546,550	546,550	22,505
iv. Other Revenue	6,549,500	6,638,510	6,638,510	15,008	1,547,000	3,387,221	3,387,221	15,008
Total	<u>9,900,605</u>	<u>9,536,035</u>	<u>9,725,333</u>	<u>437,503</u>	<u>6,907,540</u>	<u>6,308,964</u>	<u>6,136,779</u>	<u>626,801</u>

2.2.2 Performance in Collecting Revenue

Audit Observation

The outstanding billboard revenue as at 31 December of the year under review was Rs.383,590 and no steps had been taken to recover those fees or to remove the billboards.

Comments of the Council

I will take steps to inform the relevant institutions regarding the arrears. If payment is not made, action will be taken to dismantle and remove the billboards.

Recommendation

Urgent action should be taken to recover fees or remove the billboards.

3. Operational Review

3.1 Performing the Functions assigned by 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 Council under Section 3 of the Pradeshiya Sabha Act are shown below.

Audit Observation

Steps had not been taken to identify the matters for which by-laws should be enacted under Section 126 of the Pradeshiya Sabha Act and to enact the by-laws.

Comments of the Council

That the steps will be taken to enact bylaws once the Sabha is formed.

Recommendation

By-laws should be enacted and action should be taken accordingly.

3.2 Management Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	Maize seeds and fertilizers purchased by the Pradeshiya Sabha for Rs. 1,472,500 under the PT 02 project allocation were distributed to 40 beneficiaries on credit basis, but 15 farmers defaulted on loan payments of Rs. 436,910.	That legal action is being taken against those who have not paid.	Legal action should be taken to collect the outstanding amounts promptly.
(b)	An annual survey had not been carried out regarding the billboards displayed within the Pradeshiya Sabha area, and billboard fees for the year 2024 had been charged based on the survey report for the 2022/2023 financial year.	Steps will be taken to correct the errors.	A survey should be conducted and steps should be taken to recover the outstanding revenue.

3.3 Idle or Under Utilized Property, Plant and Equipment

	Audit Observation	Comments of the Council	Recommendation
	It was observed that 03 unrepairable vehicles belonging to the Sabha had remained idle for a period ranging from 07 years to 24 years, and due to not taking steps to auction these vehicles, they were deteriorating.	That those vehicles cannot be auctioned as they have not been transferred in the name of the Sabha.	The Commissioner of Motor Traffic should be consulted, and the ownership of the vehicles should be urgently transferred to the name of the Sabha, and steps should be taken to either auction or dispose of them.

3.4 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	Steps had not been taken to identify the value of 15 cemeteries and 07 playgrounds belonging to the Pradeshiya Sabha and to document and account for them.	Steps will be taken in the future to value the lands where buildings are located, and thereafter, steps will be taken to account for the value of the lands.	The value of the property should be identified and accounted for.
(b)	The attention of the council had not been drawn to the repair and use of 03 vehicles that were in a condition that could be repaired and used.	It is expected to carry out vehicle repairs in the year 2025	The vehicles should be repaired and used urgently.

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| (c) | Steps had not been taken by the Sabha to transfer the ownership of 05 vehicles belonging to the Sabha to the name of the Sabha. | The necessary action to obtain the ownership will be carried out in the year 2025. | The Commissioner of Motor Traffic should be consulted, and steps should be taken to transfer the ownership of the vehicles to the name of the council. |
| (d) | A write-off of Rs. 44,110,358 had been made in relation to 02 account balances, contrary to Circular 10/2022 issued regarding disposal of assets. | steps will be taken to correct it when preparing the final accounts for the year 2025. | The assets should be accounted for correctly. |

3.5 Human Resource Management

Audit Observation

There were 07 vacancies in 06 positions in the Sabha at the end of the year under review.

Comments of the Council

When submitting the salary reimbursements, the Assistant Commissioner of Local Government's office has been informed.

Recommendation

The necessary steps should be taken to fill the vacancies.

3.6 Vehicle Fleet Management

Audit Observation

Action had not been taken by the Sabha to obtain revenue licenses for 14 vehicles belonging to the Pradeshiya Sabha.

Comments of the Council

Action will be taken to obtain the revenue licenses in the year 2025.

Recommendation

Steps should be taken to obtain the annual revenue licenses.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation

Although the Internal Audit Department had initiated the preparation and implementation of recommendations to improve institutional operational processes and enhance performance in accordance with Section 40 of the National Audit Act No. 19 of 2018 and Financial Regulations 133(1), it had not been carried out systematically to cover all the functions of the Council.

Comments of the Council

Instructions have been given to carry out internal audit work covering all activities starting from the year 2025.

Recommendation

Internal audit work should be carried out covering all activities of the institution.

4.2 Audit and Management Committee

Audit Observation

In accordance with the Internal Audit Guidelines Circular No. DMA/01–2019 dated 12 January 2019 of the Department of Management Audit, the Sabha had not established Audit and Management Committees and held committee meetings during the year under review.

Comments of the Council

Arrangements are being made to hold these audit and management committee meetings from 2025.

Recommendation

Steps should be taken to initiate procedures for the Audit and Management Committee and to hold meetings.

4.3 Sustainable Development Goals

Audit Observation

Although the council had identified 07 Sustainable Development Goals and targets in accordance with the Sustainable Development Act, No. 19 of 2017, further attention should have been paid to identifying indicators for measuring those goals and targets, allocating provisions for the identified goals and targets and including them in the action plan, identifying the necessary human and physical resources, identifying and informing interested parties regarding reaching the Sustainable Development Goals and targets, and identifying baseline data and collecting and storing data for measuring the identified goals and targets.

Comments of the Council

Action will be taken according to your instructions starting from the year 2025.

Recommendation

The council should take steps to collect the necessary data to achieve the Sustainable Development Objectives and Goals in accordance with the circular, and thereby arrange for the required financial provisions.