

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Nuwaragam Palatha Central Pradeshiya Sabha for the year ended 31 December 2024 comprising the Statement of assets and liabilities as at 31 December 2024 and the Comprehensive Income Statement, Statement of changes in Net Assets /Equity, Cash Flow Statement for the year then ended 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, Sub-Section 172 (1) of the 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 accompanying financial statements give a true and fair view of the financial position of the Nuwaragam Palatha Central Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

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 Sri Lanka Public Sector Accounting Standards for Local Authorities, 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 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 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 Sabha	Recommendation
(a) The value of 03 plots of land on which 03 buildings belonging to the Pradeshiya Sabha were built had not been assessed and accounted for under property, plant and equipment.	That the land values will be assessed and accounted for when preparing the 2025 final accounts.	All property, plant and equipment belonging to the sabha must be accounted.
(b) The cash flow statement showed Rs. 78,846,770 as purchases of property, plant and equipment during the year 2024 under investing activities, but due to the fact that Rs. 83,010,037 was shown in the property, plant and equipment sub-register, the cash flow statement showed an understated of Rs. 4,163,267.	Attention will be paid to these matters when preparing the cash flow statement.	The correct value must be indicated.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
(a) According to the street light stock register, the value of the remaining street light stock as of December 31, 2024 was Rs. 268,450, but in the balance sheet prepared on that date, the value was Rs. 222,060, resulting in a difference of Rs. 46,390.	That the street light register is being maintained properly.	Action should be taken to compare and correct the corresponding reports with the schedules.
(b) Although the total value of the outstanding staff loan balances for a period of about 16 years included in the	That the staff loan register and scheidung	Action should be taken to compare and correct the corresponding

staff loan balance due as at 31 December 2024 was stated as Rs. 371,566, according to the outstanding staff loan schedule, that value was Rs. 160,922, resulting in a difference of Rs. 210,644. will be checked and reports with the updated correctly. schedules.

1.7 Non- Compliances

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a)	Pradeshhiya Sabha (Financial Administration) Rules, 1988 Rule (I) 5 (6)	Action had not been taken to collect all the revenue and other fees amounting to Rs. 51,638,631 due to the Pradeshhiya Sabha within the stipulated period.	Those necessary steps will be taken to collect all income and other fees within the stipulated time frame.	The Pradeshhiya Sabha must act in accordance with the financial administration rules.
(b)	Rule (II) 218	All lands and buildings owned by the sabha had not been surveyed once a year.	That steps will be taken to provide instructions to the relevant subject officers to survey all lands and buildings owned by the sabha once a year.	The Pradeshhiya Sabha must act in accordance with the financial administration rules.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 6,497,815 as compared with the excess of revenue over expenditure amounted to Rs. 699,149 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 Secretary, the estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

		2024				2023			
	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)	Rates and Taxes	3,524,750	3,919,936	3,496,348	1,171,985	3,068,000	4,374,187	4,294,437	794,834
(ii)	Rent	11,726,797	9,035,978	9,018,978	538,520	9,148,384	7,187,603	7,274,603	1,470,809
(iii)	License fees	1,298,350	991,875	901,175	434,750	1,242,200	1,192,300	2,856,400	381,450
(iv)	Other Revenue	35,083,500	35,723,912		49,491,126	37,810,917	27,066,643	22,781,237	30,229,344
		=====	=====	=====	=====	=====	=====	=====	=====
		51,633,397	49,671,701	13,416,501	51,636,381	51,269,501	39,820,733	37,206,677	32,876,437
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2.2.2 Performance in Revenue Collection

	Audit Observation	Comments of the sabha	Recommendation
(a)	Rates and Taxes		
(i)	In accordance with Section 134 (1) of the Pradeshiya Sabha Act, steps had not been taken to identify the developed areas within the are of authority of the Pradeshiya Sabha, gazette them and impose rates.	That future work will be carried out this year.	Rates should be imposed and action should be taken to recover them.
(ii)	As at 31 st December of the year under review, action had not been taken to recover arrears of business taxes of Rs. 683,350, industrial taxes of Rs. 53,250 and income taxes of Rs. 203,985.	That steps are being taken to recover arrears of revenue.	Action should be taken to recover the arrears of revenue.
(b)	Rent		
	As at 31 st December 2024, Rs. 486,520 receivable for butcher shop and weekly fair leases had not been collected.	That a lawsuit has been filed to recover the outstanding amount.	Action should be taken to recover the arrears of rent.
(c)	Other Revenue		
(i)	Rs. 410,000 due for noice boards had not been collected as of 31st December of the year under review.	That action will be taken to recover outstanding notice board fees.	Action should be taken to recover the arrears of revenue.

(ii)	Court fines of Rs. 6,109,060 and stamp duty of Rs. 27,382,066 that should have been received from the Chief Secretary of the Provincial Council and other authorities had not been collected.	That action is being taken to recover.	Action should be taken to recover the arrears of revenue.
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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 sabha	Recommendation
Under Section 126 of the Pradeshiya Sabha Act, by-laws could have been enacted to carry out 30 main matters, but by-laws had not been enacted for those matters as at 31 st December 2024.	Further work is being done in this regard.	Action should be taken to enact by-laws.

3.2 Management Inefficiencies

Audit Observation	Comments of the sabha	Recommendation
(a) The Divisional Secretary had 26 lands belonging to the Pradeshiya Sabha and 86 cemeteries within the area of authority in the Pradeshiya Sabha, but those assets had not been transferred to the Pradeshiya Sabha in accordance with Sections 127 and 128 of the Pradeshiya Sabha Act.	Further work is being carried out to acquire lands and cemeteries.	Actions should be taken in accordance with the Pradeshiya Sabha Act.
(b) Out of the total outstanding staff loan balances of Rs. 1,903,940 at the end of the year under review, there was a loan balance of Rs. 371,566 that was outstanding for 16 years. Adequate action had not been taken to recover these loan balances.	Not commented.	Action should be taken to recover outstanding staff loans.

3.3 Transactions of Contentious Nature

Audit Observation

Due to the overall revenue collection performance of the sabha, the recovery of arrears of revenue, poor reporting and lack of proper supervision of management, the cumulative value of arrears of revenue of Rs. 2,738,483, which had been outstanding for almost 09 years, had been written off during the year 2024, as non-compliance of Section 182 of the Pradeshiya Sabha Act.

Comments of the sabha

These arrears have been corrected according to the decision submitted to the Administrative Committee.

Recommendation

When cut off arrears of revenue, action should be taken in accordance with the Pradeshiya Sabha Act.

3.4 Human Resources Management

Audit Observation

- (a) As of December 31, 2024, there was a surplus of 10 officers in respect of 04 posts and a shortage of 10 officers in respect of 08 posts in the approved staff of the Sabha.

Comments of the sabha

The Department of Local Government has informed the Provincial Government Commission to fill the employee vacancies.

Recommendation

Arrangements should be made to recruit within the approved staff composition.

- (b) During the period from 1994 to 2024, 18 officers who came to serve in the Pradeshiya Sabha continued to perform their duties in the Pradeshiya Sabha for a period of 7 to 20 years without being transferred.

Not commented.

The annual transfer policy should be followed.

3.5 Management of Vehicle fleet

Audit Observation

- (a) A fuel inspection had not been conducted on 14 vehicles owned by the Pradeshiya Sabha in accordance with paragraph 3.1 of Public Administration Circular No. 30/2016 dated 29th December 2016.

Comments of the sabha

Efforts are being made to conduct a fuel inspection as soon as possible.

Recommendation

Action should be taken in accordance with the Public Administration Circular.

- (b) The Pradeshiya Sabha had not taken steps in the year 2024 to dispose of 10 vehicles that had been out of use for more than 14 years, as per paragraph 02 (b) of the Treasury Secretary's Asset Management Circular No. 01/2018 dated 19 March 2018 and the instructions given in the Public Finance Circular No. 02/2015 dated 10 July 2015..

A mechanical engineering report has been obtained on June 5, 2024 regarding the dispose of vehicles.

Actions should be taken in accordance with the Treasury Secretary's Asset Management Circular and Public Finance Circular.

4. Accountability and Good Governance

4.1 Action Plan

Audit Observation

An action plan had not been prepared for the year under review for the tasks that were to be performed according to the by-laws imposed by the sabha.

Comments of the sabha

That will act according to the action plan in the future.

Recommendation

An annual action plan should be prepared.

4.2 Environmental Problems

Audit Observation

The waste compactor, which bales non-biodegradable solid waste, had been inactive since 2023, but due to the machine not being repaired, polythene and plastic waste was being disposed of irregularly.

Comments of the sabha

That work will be underway to repair the waste compactor.

Recommendation

Waste management should be carried out formally.

4.3 Sustainable Development Goals

Audit Observation

Although the sabha had identified sustainable development goals and targets, there had been no regulation to measure them, and therefore no indicators had been identified for them.

Comments of the sabha

That the necessary steps will be taken in the future to achieve sustainable development goals and targets.

Recommendation

Regulation should be implemented to achieve sustainable development goals and targets.