

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Nuwaragam Palatha East 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 East 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) Although the total value of 03 fixed deposits under non-current investments in the statement of assets and liabilities was Rs. 8,481,087, the balance at the end of the year under review was Rs. 8,543,341, which was a understated of Rs. 62,254.	That action will be taken to correct this when preparing the accounts for the year 2025.	The correct value must be accounted.
(b) The value of 13 plots of land on which 13 buildings belonging to the Pradeshiya Sabha were built had not been assessed and accounted for under property, plant and equipment..	-Do-	The value of all property, plant and equipment belonging to the council must be accounted.
(c) Although the increase in other current assets under cash flow from operating activities in the cash flow statement was Rs. 4,483,393, as per notes 12 and 13, the increase in assets was Rs. 78,802, which resulted in an overstated of Rs. 4,404,591 in the cash flow statement.	That action will be taken to correct this when preparing the accounts for the year 2025.	The correct value must be accounted
(d) The land value was overstated by Rs. 200,000 due to the fact that the land located at the public well at Maha Paladikulama 09 Ela Road with a value of Rs. 200,000 was recorded twice in the fixed assets schedule.	That action will be taken to correct this when preparing the accounts for the year 2025.	The correct value must be accounted

1.6.2 Unreconciled Control Accounts or Records

Audit Observation

Comments of the Sabha

Recommendation

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| (a) | Although the fixed deposit balance as on 31st December of the year under review was presented as Rs. 8,481,087 in the trial balance, the value as per the ledger account was Rs.10,333,087,resulting in a difference of Rs. 1,852,000. | That work will be done to prepare it correctly in 2025. | Action should be taken to compare and correct the corresponding reports with the schedules. |
| (b) | Although the interest receivable on fixed deposits according to the ledger account was Rs. 1,049,678, according to the trial balance it was Rs. 560,438, resulting in a unreconcile of Rs. 489,240. | That there was an error in copying to the ledger. | -Do- |

1.7 Non- Compliances

1.7.1 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 Sabha	Recommendation
(a)	Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i)	F.R. 756	No board of surveys were conducted in the year 2024.	That the 2024 board of survey will be conducted immediately after the 2023 board of survey is completed.	Financial regulations must be followed.
(ii)	F.R. 1646	Although the original copy of the monthly travel summary along with the daily running charts for each month were required to be sent to the Auditor General on the 15th of the next month, the daily running charts for the 10 vehicles owned by the Council for the year 2024 had not been submitted.	That action will be taken to submit it to the audit as soon as possible.	Financial regulations must be followed.

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. 11,537,390 as compared with the excess of revenue over expenditure amounted to Rs. 3,079,423 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	2,450,000	2,432,000	3,003,923	18,000	3,016,000	2,429,497	2,472,847	826,770
(ii)	Rent	7,091,785	4,087,898	3,681,898	1,642,158	14,594,690	3,675,830	3,640,971	1,431,836
(iii)	License fees	1,480,000	1,838,683	1,838,683	504,231	1,450,000	1,503,966	1,445,767	1,176,263
(iv)	Other Revenue	31,858,000	39,844,666	39,844,666	99,807,811	38,240,400	34,812,231	35,308,195	44,417,423
		42,879,785	48,203,247	48,369,170	101,972,200	57,301,090	42,421,524	42,867,780	47,852,292

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 Sabha	Recommendation
(a)	Rates and Taxes		
(i)	Necessary steps had not been taken to identify the developed areas in the area of authority and impose rates in accordance with Section 139(1) of the Pradeshiya Sabha Act No. 15 of 1987.	It is expected that the rates tax will be imposed by 2026.	Rates should be imposed and action should be taken to recover them.
(ii)	Out of the Rs. 1,227,588 in arrears of land tax as on 1 st of January of the year under review, which carried on from 2017 to 2023, Rs. 1,137,571, which is 93 percent, had not	That action have been taken to recover the arrears amount.	Action should be taken to recover arrears of taxes.

been collected by the end of the year under review.

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| (iii) | The arrears of tender tax of Rs. 75,831 as on the opening date of the year under review had not been collected by the end of the year. | That action have been taken to recover the arrears amount. | Action should be taken to recover arrears of taxes. |
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(b) Other Revenue

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| (i) | Out of the outstanding notice board fees of Rs. 1,103,852 as on 01 January 2024, an amount of Rs. 448,081 had not been recovered by 31 December 2024. | Action have been taken to recover outstanding notice board fees. | Action should be taken to recover the arrears amount. |
| (ii) | Court fines of Rs. 6,797,795 and stamp duty of Rs. 92,960,648, which were due from the Chief Secretary of the Provincial Council and other authorities as at 31 st of December 2024, had not been collected. | That action have been taken to recover court fines. | Action should be taken to recover the arrears of revenue. |

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 of December 2024.	Action will be taken to enact the remaining by-laws after the establishment of the Pradeshiya Sabhas and the establishment of the Provincial Councils.	Action should be taken to enact by-laws.

3.2 Identified Losses

Audit Observation	Comments of the Sabha	Recommendation
Necessary steps had not been taken to recover the value of 169 books missing from the Shravasthipura Library, which were discovered during the board of survey in 2022 and 2023, amounting to Rs. 51,477.	Action will be taken regarding the misplaced books as per the recommendations of the board of survey report.	Action should be taken to recover the loss.

3.3 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Action had not been taken to settle the retention amount of Rs. 1,359,612 relating to 13 industries whose work had been completed between 2019 and 2021.	That the progress of the industries will be examined and steps will be taken to release the retention amount.	Action should be taken to examine the shortcomings in industries and release the retention amount.
(b) Management had not taken steps to submit sufficient evidence for audit for 07 account balances belonging to the Pradeshiya Sabha with a total value of Rs. 1,981,796,301.	Instructions were given to the officers to search for written evidence and take further action.	Confirmatory audit evidence must be submitted.
(c) No action had been taken in the year under review to recover 07 staff loan balances with a total value of Rs. 73,490, which had been outstanding for many years without being recovered.	That necessary action will be taken to recover the money promptly.	Action should be taken to recover outstanding staff loans.

3.4 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
The cement block making machine worth Rs. 220,000 and the vehicle servicing center built at a cost of Rs. 1,038,989, which had been acquired about 05 years ago for the revenue generation purposes of the council, had been idle for about 04 years.	The cement block Manufacturing Company expects to lease the premises following proper procurement procedures, and the Vehicle Service Center will be providing used vehicle washing services at the office, and there are vacancies for employees to be deployed for vehicle service activities.	Efforts should be made to utilize idle assets.

3.5 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
As at 31 st of December 2024, there were 05 vacancies in 04 secondary level posts and a excesses of 1 post in 01 primary level post.	Not commented.	Arrangements should be made to recruit within the approved staff composition.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation

The annual performance report had not been submitted with the financial statements in accordance with subsection 16(2) of the National Audit Act, No. 19 of 2018.

Comments of the Sabha

That will be presented in the future.

Recommendation

Action should be taken in accordance with the National Audit Act.

4.2 Environmental Problems

Audit Observation

Although the Pradeshiya Sabha had given priority to solid waste management under the main activities carried out for the public welfare and well-being, a formal system had not been developed for the disposal of non-biodegradable waste collected from the council area.

Comments of the Sabha

Action have already been taken to utilize the Keerikkulama garbage yard in collaboration with the Municipal Council for the recycling of biodegradable waste collected from this area of authority.

Recommendation

Waste management should be carried out systematically.