Niyagama Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Adverse Opinion

The audit of the financial statements of the Niyagama Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Statement of financial position as at 31 December 2024, Statement of Financial Operations, statement of changes in net 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 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, because of the significance of the matters described in paragraph 1.6 of this report, the financial statements do not give a true and fair view of the financial position of the Niyagama Pradeshiya Sabha as at 31 December 2024 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Adverse Opinion

I expressed adverse of 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 adverse 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 Principles 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 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 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	Comment of the Sabha	Recommendation
(a)	The balance of the overpaid salary account of Rs. 585,136 and the balance of the previously received income account of Rs. 36,484 were not disclosed in the statement of financial position as at the end of the year under review.	It has been stated that steps will be taken to correct the balance of the previously received income account in the future, and no comments have been made regarding the overpaid salary account balance.	The balance of the overpaid salary account and the balance of the pre-received income account should be shown in the statement of financial position.
(b)	Due to the adjustment for the surplus of the year under review of Rs. 10.24 million of the previous year's key money, the surplus for the year was overstated by that amount.	When preparing the accounts for the coming year, income relating to previous years will be correctly identified and accounted.	The previous year's income should be adjust against the accumulated fund.
(c)	A balance of Rs. 90,475 in a stores inventory account, was shown under fixed assets as at the end of the year under review,	Corrections will be made in the preparation of the 2025 accounts	Current assets and fixed assets should be identified and presented accurately.
(d)	The balance of the accumulated fund as at the end of the year under review was shown to be less by the same amount due to the over-debiting of Rs. 48,370 in the employee loan balance as at 31 December 2023 to the surplus/deficit account.	The action will be taken to correct it in the future.	The relevant accounts should be identified and accounted correctly.
(e)	Due to the fact that Rs. 58,347 paid to the Local Loan Development Fund was not credited to the debtor's account however was credited to the surplus/deficit account, the balance	The action will be taken to correct it in the future.	The accounting should be done accurately.

	of the accumulated fund was overstated by that amount and the creditor's balance was understated by that amount.		
(f)	Court fines receivable of Rs. 274,500 for the month of November 2024 had not been accounted.	The action will be taken to correct it in the future.	The receivables balances should be accounted correctly.
(g)	Capital expenditure of Rs. 482,929 incurred during the year under review had not been accounted under fixed assets.	The action will be taken to correct it in the future.	Capital expenditure incurred during the year under review should be accounted under fixed assets.
(h)	The electrical inventory balance and surplus for the year as at the end of the year under review had been overstated by Rs. 46,070.	The action will be taken to correct it in the future.	The final stock balance should be adjusted correctly.

1.6.2 Unreconciled Control Accounts

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs. 82.6 million between the balances relating to 05 accounting items shown in the financial statements and the balances shown in the relevant supporting documents as at 31 December of the year under review.	The action will be taken to correct it in the future.	The reasons for the difference should be identified and the financial statements or corresponding reports should be corrected accordingly.

1.7 Non-compliances

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

	Reference to Laws, Rules, Regulation	Non – Compliance	Comment of the Sabha	Recommendation
(a)	Financial Regulation 104 (4) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Action had not been taken in accordance with the Financial Regulations regarding the damages and losses incurred in the previous year and the year under review in relation to 04 vehicles and machinery of the Sabha.	Further action has been taken to recover the loss caused by the breakage of the 2 side windows of the JCB machine and to write off the losses related to the cab and the coal roll from the books, which have been referred to the Commissioner of Local Government.	Action should be taken without delay in accordance with the provisions of the Financial Regulations and action should be taken to recover the value of the damage caused to

				the vehicles from the responsible officers.
(b)	Paragraph 2.1 of Public Administration Circular No. 09/2009 dated 16 April 2009	10 council officials had not confirmed their arrival and departure using the fingerprint machine.	The relevant subject officer has been instructed to use the fingerprint machine to indicate entry and exit to the institution.	As per the circular provisions, every officer of the Sabha should record their arrival and departure on the fingerprint machine.

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. 9.24 millions against with the excess of recurrent expenditure over revenue amounting to Rs. 7.56 million 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 of sabha, the estimated revenue, billed revenue, collected revenue and outstanding revenue for the year under review and the previous year are shown below.

		2024				2023			
	Source of Revenue	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates andTax	2,895,355	1,996,505	1,866,104	789,190	2,781,827	1,244,968	1,490,497	658,789
(ii)	Rent	9,146,090	7,486,325	7,078,709	1,162,455	7,417,640	5,242,993	5,088,465	754,839
(iii)	License Fees	405,690	213,207	7,257	205,950	410,600	315,743	332,560	-
(iv)	Other Income	7,141,000	16,515,481	16,178,411	337,070	6,403,000	6,342,408	6,342,408	-
		19,588,135	26,211,518	25,130,481	2,494,665	17,013,067	13,146,112	13,253,930	1,413,628

2.2.2 Performance in Revenue Collection

.Observations related to performance in revenue collection of the Sabha are given below

	Audit Observation	Comment of the Sabha	Recommendation
(a)	**Rates and Taxes**		
(i)	The rates and tax balance at the beginning of the year under review was Rs. 658,789 and the deficit had increased to Rs. 789,190 by the end of the year under review.	The process of recovering the outstanding balance is underway.	A program should be developed promptly to recover outstanding rates and outstanding balances and recover them accordingly.
(ii)	The rates tax had not been collected from 158 assessment units in the Pitigala Sub-Office area of the Pradeshiya Sabha during the year 2024.	Agree	Taxes should be levied in accordance with the Section 158(1) of the Pradeshiya Sabha Act, No. 15 of 1987.
(iii)	There were 206 units within the Sabha area subject to acreage tax and as at 31 December of the year under review, the Sabha was required to collect a balance of Rs.191,257 from 165 of these units.	Legal action will be taken to recover the arrears.	Long-term outstanding balances should be investigated and those taxes should be collected promptly.
(b)	**Rent**		
(i)	The outstanding rental income as at the beginning of the year under review was Rs.754,839 and by the end of the year it had increased to Rs.1,162,455.	As at 30 May 2025, Rs.1,159,671 has been collected and action are being taken to collect the remaining amount.	Action should be taken to collect rental income without delay.
(ii)	Although the valuation of the shops owned by the Sabha is required to be updated every 3 years, the Sabha had lost shop rent income due to the failure to revise the lease rent of 36 shops.	Taxes will be levied according to the new assessment from 01 January 2025.	Shop rents should be updated every 3 years and action should be taken to collect revenue from the Sabha.

3. Operational Review

3.1 Procurement Management

Audit Observation	Comment of the Sabha	Recommendation
The Sabha fund had suffered a loss of Rs.131,250 due to the high prices called for the purchase of electrical equipment without considering the items.	Answers had not been given.	Should compare the prices of items and make purchases from the most suitable supplier.

3.2 Humen Recourse Management

	Audit Observation	Comment of the Sabha	Recommendation
(a)	A loan balance of Rs.1.08 million remained to be recovered from 06 officers who had transferred, left the service, died and were suspended from duty after serving in the Sabha. at the end of the year under review.	Answers had not been given.	Action should be taken to recover outstanding employee loan without delay.
(b)	It was observed that 32 officers have been serving the Sabha beyond the 5-year period, contrary to the provisions of Public Administration Circular No. 18/2001 dated 22 August 2001.	Institutionalized officers have requested transfers, but no transfer process will be carried out for departmental posts.	Arrangements should be made to provide transfers to officers with more than 5 years of service.