

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Neluwa 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 assets, 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, 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 Neluwa 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 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 Pradeshhiya 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)	Although the stamp duty income receivable for the year under review was Rs.1.93 million as per the schedules, the stamp duty revenue receivable had been overstated by Rs.1.57 million by accounting for Rs.3.5 million.	Since schedules have not been received for the year under review, Rs.5.35 million has been accounted for as billings on an accrual basis.	According to the stamp duty schedule, an amount of Rs.1.93 million should be received and it should be correct to record that amount as Rs.3.5 million.
(b)	The value of 06 items worth Rs.727,078, which should have been accounted for as consumer goods stocks, had been overstated by accounting them as furniture and equipment.	Since they are reusable and do not expire, they are accounted for as furniture and equipment.	Necessary corrections should be made.

1.6.2 Unreconciled Control Accounts

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs.7.18 million between the balances related to 04 accounting items shown in the financial statements and the balances shown in the related utility schedules.	Will be corrected in the future.	The reasons for the differences in balances should be identified and corrected.

1.6.3 Documentary evidence not made available for Audit

Audit Observation

Comment of the Recommendation Sabha

Due to non-submission of files for 10 balances of capital grants receivable and capital expenditure creditors, it was not possible to satisfactorily examine those balancez.

This balance exists in the accounts and will be corrected in the future.

Relevant files must be submitted for audit to verify account balances.

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.8.12 million as compared with the excess of revenue over recurrent expenditure amounting to Rs. 5.61 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, 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 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	284,580	449,068	439,830	123,410	354,040	444,710	436,742	114,172
(ii)	rent	10,211,500	11,266,596	13,447,988	5,061,082	6,878,922	10,530,990	6,607,203	7,242,474
(iii)	License Fees	193,100	773,245	773,245	-	201,500	245,250	245,000	-
(iv)	Other revenue	2,044,000	1,576,524	2,122,882	467,940	2,283,500	4,051,459	3,153,337	1,014,298
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		12,733,180	14,065,433	16,783,945	5,652,432	9,717,962	15,272,409	10,442,282	8,370,944
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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 Although the Neluwa Grama Niladhari Division had been designated as a developed area, the necessary action to assess the properties in the area and collect the assessment in accordance with Section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been initiated until 31 December 2024.	Action will be taken to assess the property and recover the assessment in the future.	According to the Pradeshiya Sabha Act, the property within the jurisdiction should be assessed and the assessment collected.
(b) Rent Due to non-collection of rent in accordance with Section 159 of the Pradeshiya Sabha Act No. 17 of 1987, a rent arrears of Rs.5.06 million remained at the end of the year.	Will be accepted.	A program should be developed promptly to recover outstanding balances without delay, and outstanding balances should be recovered accordingly.
(c) Other Revenue During the year under review, fees of Rs.141,000 had not been collected for 27 billboards.	Remaining amount will be collected in the future.	Action should be taken to recover the relevant fees after a survey of the billboards.

3. Operational Review

3.1 Performing the functions assigned 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	Comment of the Sabha	Recommendation
(a) The projects, namely the drinking water project worth Rs.1.55 million and the water pipe renovation work supplying water to the Neluwa Sathipola and the commercial complex, which were planned to be implemented by the Sabha under the 2024 Provincial Specific Grants, had not been implemented by the end of the year under review.	World Vision is implementing a community water project and the money was used for the repair of the Sabha vehicles.	The funds allocated for projects should be used for a productive project of the sabha.
(b) According to the budgeted capital expenditure estimates for the year under review, Rs.162.46 million had been allocated from the Sabha fund for 20 development projects and Rs.800,000 for road repairs, but those projects had not been implemented.	Since the sabha is a low-income Sabha, the contribution that can be made to development projects is minimal.	Only essential development projects should be planned based on the availability and priority of funds, and the funds should be utilized effectively for the functions and duties of the Sabha.
(c) Although provisions of Rs.5 million had been approved to implement 10 projects for the development of the road under the Southern Provincial Development Plan 2024, 07 projects valued at Rs.2.9 million had not been implemented.	The relevant society have stated that it is not possible to complete the work related to the industry during the period from October to December 2023.	Projects should be implemented in coordination with relevant institutions and provisions should be provided for them.

3.2 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Action had not been taken regarding 31 items related to 19 missing items identified in the Board of survey in 2023.	That action will be taken regarding the 31 items in the future.	Missing items should be investigated and recovered from the responsible officials.
(b) Preparing the road inventory of the Sabha had not commenced by the end of the year under review.	Necessary arrangements will be made to prepare a road inventory document in the future.	The road inventory should be completed promptly.

3.3 Defects in Contract Administration

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Although a provision of Rs.1.0 million had been made in the previous year for the repair work of the bridge on Samagi Mawatha in Kosmulla Grama Niladhari Division, the bridge had not been repaired until the end of the year under review.	It has been difficult to obtain raw materials for these industries due to adverse weather conditions, and a follow-up is being carried out regarding the payment of Rs.1 million.	Action should be taken to implement the relevant projects as soon as possible.
(b)	In 2024, an excess of Rs.95,995 was paid due to payment not being made using the T1-007A price rate introduced by the Southern Provincial Road Development Authority for the transportation of 545 cubic meters of soil to the crematorium.	Due to the difficulty of transportation and the time it takes, soil transport owners are reluctant to pay for the number of kilometres.	The overpayment should be recovered from the responsible officials.