

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Nallur 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 the Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and 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 Nallur 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 Principles.

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 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 scepticism 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 Observations	Comments of the Sabha	Recommendation
(a)	The estimated cost of Rs.97,340,301 relation to 20 construction projects that had not been completed had been recorded as creditors.	Action is taken to adjust.	Accounting should be one correctly.
(b)	The value of 05 development projects completed during the year under review, amounting to Rs.22,031,323 had not been recognized as assets.	-Do-	-Do-
(c)	The removed old office building worth Rs.557,840 and 39 items sold at a cost of Rs.1,049,580, had not been deducted from those assets during the year under review.	-Do-	-Do-

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
Section 134 of the Pradeshiya Sabha Act No. 15 of 1987	The Sabha had not distributed Form K for 2,185 properties out of 20,813 properties subject to assessment tax for the year under review.	It has not been possible to distribute the property due to the absence of owners.	Action should be taken in accordance with the provisions of the Act.

2. Financial Review

2.1 Financial Result

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.212,739,978,105as compared with the excess of revenue over recurrent expenditure amounted to Rs.181,776,258 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 relating to 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 Income	2024				2023			
	Revenue Estimated	Billed Revenue	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	21,056,000	59,090,907	21,012,220	38,078,687	21,051,000	55,766,404	17,530,697	38,235,707
Rent	43,415,542	49,495,442	48,268,497	1,226,945	39,353,900	44,021,615	42,951,326	1,070,289
License Fees	10,980,500	11,600,325	11,600,325	-	5,549,500	8,433,371	8,433,371	-
Other Revenue	52,371,000	62,058,766	61,891,377	167,389	98,693,000	52,383,012	52,383,012	-
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Total	<u>127,823,042</u>	<u>182,245,440</u>	<u>142,772,419</u>	<u>39,473,021</u>	<u>164,647,400</u>	<u>160,604,402</u>	<u>121,298,406</u>	<u>39,305,996</u>

2.2.2 Performance in Revenue Collection

	Audit Observation	Comments of the Sabha	Recommendation
	As at the end of the year under review, an assessment tax balance of Rs.38,078,687 was due from 16,698 property owners, and the outstanding balance for more than 02 years remained at Rs.27,527,928. Also, the balance of shop rent and lease rent due from year 01 to over 10 years was Rs.798,489 and the balance of stamp duty due to the Sabha over 07 years was Rs.3,875,162.	Steps are being taken to recover outstanding balances.	Actions should be taken to recover outstanding balances immediately.
(b)	A total of Rs.3,114,604 in revenue was lost due to non-renting of 04 shop rooms during the year under review.	The Sabha had called for bids but no one had come forward.	Steps should be taken to fully utilize the Sabha's revenue sources.
(c)	The long-term lease agreements for 5 shops, which were to be renewed every 5 years, had expired for a period ranging from 9 to 15 years due to non-renewal.	The agreements will be renewed.	Steps should be taken to renew rental agreements within the specified timeframe.

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 Observations	Comments of the Sabha	Recommendation
Although a Certificate of Conformity (COC) should be issued after confirming that buildings have been constructed according to Section 15(1) of the Housing and Town Improvement Ordinance No. 15 of 1915, Certificates of Conformity had not been issued for 311 development permits granted for building construction by the end of the year reviewed.	That steps will be taken to issue certificates of conformity.	Steps should be taken to provide a certificate of conformity.

Audit Observations	Comments of the Sabha	Recommendation
(a) 11 road reconstruction projects, construction and vehicle purchases, totaling Rs.83,800,000, which had been implemented using the Sabha's development reserve funds for years 02 to 07, had been abandoned in the interim.	Steps have been taken to complete the tasks in a timely manner.	Appropriate steps should be taken to complete tasks within the stipulated time frame.
(b) Steps had not been taken to utilize Rs.6,000,000 for the relevant purposes which had been allocated from the Council's fund to provide livelihood assistance to 105 beneficiaries in the year under review.	The accumulated funds were transferred without the approval of the Governor.	Steps should be taken to obtain approval and implement it within the relevant time frame.

3.3 Assets Management

Audit Observations	Comments of the Sabha	Recommendation
(a) 17 lands worth Rs.53,450,000 included in the fixed assets of the financial statements remained unowned the council and no steps had been taken to acquire those lands.	Actions have been taken to take over.	The process of taking over to the council should be done expeditiously.

(b)	During the year under review, steps had not been taken to use 20 computers and furniture purchased for Rs.4,900,500 for the purpose of providing computer course training.	Steps will be taken to use it in the future.	Actions should be taken to fully utilize all assets.
(c)	The land purchased in the Kundan Lake area of Kokuvil for Rs.5,354,000 in 2015 to construct a children's playground had not been used for over 9 years due access difficulties.	-Do-	-Do-
(d)	In the year 2023, steps had not been taken to use 04 chest freezers purchased for Rs.626,000 for the purpose of storing fish for the relevant purposes for over a year.	Steps will be taken to use it in the future.	Steps should be taken to fully utilize all assets.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
Due to the fact that there were variations from 9 percent to 51 percent in 04 revenue items, from 15 percent to 57 percent in 07 expenditure items and 07 percent in one capital expenditure items when comparing the estimated revenue and expenditure with the actual revenue and expenditure according to the budget prepared for the year under review, the budget had not been used as an effective management control tool.	Steps will be taken to prepare the budget effectively in the future.	The budget should be carefully prepared by identifying needs and using it as an effective management control tool.

4.2 Environmental Observations

Audit Observations	Comments of the Sabha	Recommendation
The general public had held major protests against the Karaikkal area, which was selected for solid waste disposal, for the past three years due to the council's failure to take appropriate measures to control mosquito breeding and eliminate odors by spraying mosquito oil.	Steps are being taken to change the solid waste center.	A formal waste management system should be developed to dispose of waste in an environmentally friendly manner.