Narammala Pradeshiya Sabha – 2024
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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Narammala Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Financial Operations, 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, the sub section 172(1) of 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 financial statements give a true and fair view of the financial position of the Narammala 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 regarding financial statements based 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 of this report 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 Council	Recommendation
(a)	The value of the Pahala Medagoda Public Cemetery land, the Ambagammana Pre-School building and the public toilet near the People's Bank had not been identified and accounted for.	That further work will be done to assess and obtain values.	Values must be identified and accounted for correctly.
(b)	The balance of Rs. 214,580 under the bank current account as on 31 December 2024 had not been accounted for.	That work will be done to correct this in the 2025 final account.	Accurate accounting must be done.
(c)	The balance of the loan payable to the Local Credit Development Fund was not included in the financial statements as current liabilities and non-current liabilities, and the entire balance of Rs. 1,277,110 was shown as a non-current liability.	That work will be done to correct this in the 2025 final account.	Accurate accounting must be done.
(d)	The fixed deposit value of Rs. 40,000,000 was not shown under investing activities in the consolidated cash flow statement.	That work will be done to correct this in the 2025 final account.	Accurate accounting must be done.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
As at the end of the year under review, there were unreconciliation of Rs. 356,305 between the balances shown in the financial statements of 05 accounting subjects and the balances in the relevant schedules.	That the necessary steps will be taken to include it in the final account for 2025.	Relevant changes should be identified, documents corrected and accounting should be done accordingly.

1.7 Non- Compliances

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

Non-compliance with Laws, Rules, Regulations and Management Decisions as follows.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	National Audit Act No. 19 of 2018 Section 38(2) of Chapter VII	A copy of the written review to be carried out by the Chief Accounting Officer to ensure that an effective internal control system for financial control is maintained and that the previous review of the effectiveness of that system has been conducted and the necessary changes have been made accordingly to ensure that the system operates effectively had not been submitted to the Auditor General.	That action will be taken to submit it to the Auditor General.	An effective internal control system must be maintained for financial control.
(b)	Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
	F.R. 570 & 571	Action had not been taken to settle 113 deposits over 02 years worth Rs. 1,910,486.	Depositors who have been in the account for more than two years have been informed in writing to release their deposits, and necessary steps will be taken to include deposits that have not been released as income within the next 3 months.	Steps should be taken to regulate deposits according to monetary regulations.

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. 39,594,188 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 38,623,618 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 following is the information on estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year.

		2024 Year				2023 Year			
	Source of income	**Estimated Revenue**	**Revenue billed**	**Revenue collected**	**Total Arrears as at 31 December**	**Estimated Revenue**	**Revenue billed**	**Revenue collected**	**Total Arrears as of December 31 (from billed revenue)**
		(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)
(i)	Rates and Taxes	13,058	11.849	11,621	4,759	12,753	11,554	9,181	4,530
(ii)	Rent	29,687	65,405	65,490	858	26,400	27,740	27,578	943
(iii)	License fees	1,390	2,288	2,288	-	1,390	1,773	1,773	-
(iv)	Other Revenue	58,991	61,702	61,702	-	40,001	33,355	33,355	-
	Total	103,126	141,244	141,101	5,617	80,544	74,422	71,887	5,473

2.2.2 Performance in Revenue Collection

	Audit Observation	Comments of the Council	Recommendation
(a)	The billed revenue for the year under review was Rs. 141 million and Rs. 141 million including the arrears of revenue received in respect of previous years had been collected in the year under review. With the arrears of previous years, Rs. 5 million remained to be recovered as on 31st December of the year under review.	An amount of Rs. 576,241 is to be recovered from a butcher shop and a fish shop for which tenders have been issued and two cases have been filed in the Kuliyapitiya District Court to recover it. The assessment arrears balance as of December 31, 2024 is Rs. 4,713,121 and as of March 31, 2025, an amount of Rs. 3,668,603 has been recovered from that amount and action will be taken to recover the remaining arrears in the future.	Action should be taken to recover arrears of revenue without delay.
(b)	**Rates Taxes**		
	Although the assessment tax assessment should be conducted by the Assessment Department once every 5 years, no assessment assessment had been conducted after 2015.	Although a request was made to the Valuation Department to carry out the necessary work to obtain a new valuation on May 20, 2021, that work was not completed.	The assessment tax assessment should be assessed once every 5 years and action should be taken to collect tax accordingly.

(c) **Rent**

(i)	As at 31st December of the year under review, an amount of Rs. 858,000, including arrears from previous years, remained to be recovered.	Further action will be taken in the future to recover the remaining amount.	Action should be taken to recover the arrears of revenue.
(ii)	Out of the 44 properties owned by the sabha on annual lease for the year 2024, 22 properties with a bid value of Rs. 7,290,680 had not been leased during the year.	Despite four tenders, 20 assets could not be leased due to a lack of applicants.	The reasons for the non-appearance of applicants should be investigated and steps should be taken to re-tender and lease the property.

3. Operational Review

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 3of the Pradeshiya Sabha Act are shown below.

3.1 Performing of Functions Enacted by the Act

	Audit Observation	Comments of the Council	Recommendation
(a)	Under Section 126 of the Pradeshiya Sabha Act, by-laws could be enacted to carry out 30 key matters, but as of December 31, 2024, 53 by-laws had been enacted but were not at a functional level.	By-laws have been enacted under Gazette Nos. 1705, 1716, 1964, 2030, 1992 and 1712.	Action should be taken to streamline the affairs of the sabha by enacting by-laws.
(b)	It was observed that due to the irregular disposal and burning of electronic waste (televisions, tubes and glass bulbs) collected from nearly 200 solid waste collection centers, there is a high risk of electronic waste accumulating in water sources in the heavy metal area and polluting the atmosphere.	All government institutions, including the Provincial Environmental Authority, have been informed about these businesses on several occasions.	Environmental damage should be minimized.
(c)	Although the estimated amount of Rs. 8,000,000 for acquiring the land where the Oliyadeniya Solid Waste Management Center is located had been paid to the Urban Development Authority by February 04, 2024, no steps had been taken to take over the land from the sabha.	The relevant authorities have been informed about the land acquisition process.	Action must be taken to acquire the land.

3.2 Management Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	As at 31st December of the year under review, there was a balance of Rs. 22,344,475 in 7 accounts receivable, of which Rs. 22,337,974 related to the period between 1 and 5 years.	It is reported that Rs. 3,668,603 in salary reimbursement from accounts receivable, Rs. 246,596 in shop rent arrears and the advance balance have been settled.	Steps should be taken to recover the money payable.
(b)	As at 31st December of the year under review, there was a balance of Rs.47,527,025 in 17 accounts payable, of which Rs.11,584,241 was overdue for more than 05 years and Rs.35,942,785 was overdue for between 1 and 5 years. No action had been taken to verify the existence of these and settle them.	Of the creditors due, Rs. 4,799,066 has been settled by expenditure creditors, Rs. 8,026,129 by industrial creditors and Rs. 516,076 by supply creditors, and necessary steps are being taken to transfer the balances in the general deposit register that have exceeded 02 years to revenue.	The existence of outstanding amounts should be investigated and action taken to settle them.

3.3 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	Although the cemeteries maintained by the sabha should be surveyed and fenced to ensure their physical security, no action had been taken to protect 69 cemeteries by using fences.	Since the cemeteries that have been assigned to the Pradeshiya Sabha have been surveyed, steps will be taken to prepare the fences of those cemeteries.	Steps must be taken to ensure the security of assets.
(b)	A survey had not been conducted to identify public wells and tube wells owned by the sabha.	A survey was conducted to identify public wells and tube wells at the Grama Niladhari Division level in the year 2024. Accordingly, 108 public wells and 77 tube wells have been identified in the sabha area.	Action must be taken to ensure the existence of assets.
(c)	The records of public wells and tube wells held by the sabha had not been kept up to date.	That work is underway to update the records of public wells and tube wells owned by the sabha.	Documents must be kept up to date.

(d)	Action had not been taken to transfer the ownership of 10 plots of land worth Rs. 116,924,629 to the Narammala Pradeshiya Sabha.	This takeover process will be carried out in the future.	Action should be takenover the land which did not takenover land.
(e)	Although the Pradeshiya Sabha is the competent authority regarding cemeteries and burial grounds as per Section 127 of the Pradeshiya Sabha Act No. 15 of 1987, the Pradeshiya Sabha did not have the ownership of 68 of the 77 cemeteries maintained by the Sabha.	The Divisional Secretariat and the Survey Department are currently carrying out the tasks related to the handover to the Pradeshiya Sabha.	Action should be takenover the cemetry which did not takeover.

3.4 Delays in Project Activities or Capital work

Audit Observation	Comments of the Council	Recommendation
06 industries with an estimated value of Rs. 1,690,000 had not been started by the end of the year under review.	Creditors have been credited with the completion of the work in 2025.	Public funds should be utilized with maximum efficiency.

3.5 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
There were 7 vacancies and 15 excesses staff in the approved staff of the sabha and recruitment had not been made for the vacancies.	That step will be taken to fill the vacancies in accordance with the decisions taken by the government in the future and that the unapproved positions have been submitted to the Department of Management Services for approval.	Steps should be taken to fill vacancies and approve excess positions.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation	Comments of the Council	Recommendation
Although the financial statements for the year under review were submitted by the sabha on 25th February 2025, they were withdrawn on 21st May 2025 due to the existence of a balance of Rs. 1,179,017 in the suspense account and the inability to record some transactions, and were revised and submitted again on 03rd June 2025.	The deficiencies pointed out by the audit in the financial statements submitted for audit on 25th February 2025 were corrected and resubmitted for audit on 03rd June 2025.	Financial statements should be prepared accurately and submitted on time.

4.2 Annual Action Plan

	Audit Observation	Comments of the Council	Recommendation
(a)	The allocation of Rs. 4,755,000 provided for 66 industries included in the Annual Action Plan had not been utilized.	Roads that were damaged due to heavy rains and bad weather in 2024 were renovated, and roads that were completely blocked to traffic had to be repaired due to public demands, so roads that were severely damaged were renovated.	Projects that have been allocated in the budget and included in the annual action plan must be implemented.
(b)	Rs. 5,935,286 had been spent on 53 projects for which no provisions had been made in the annual budget and which were not included in the action plan.	The roads that were heavily damaged had to be reconstructed.	Actions should be taken in accordance with the annual action plan.

4.3 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
In the year under review, there was a variation of 4 percent to 31 percent between the budgeted income and actual income of 03 revenue items, and a variation of 15 percent to 79 percent between the budgeted allocation and actual expenditure of 08 expenditure items. Accordingly, the budget document had not been utilized as an effective management control instrument.	In preparing the upcoming budget, necessary steps will be taken to prepare a realistic budget based on accurate and true revenue forecasts and surveys, and to prioritize and implement budgeted industries, especially those that are expected to be carried out using sabha funds.	The budget should be prepared in such a way that it can be used as a control tool that supports the management of the institution.

4.4 Environmental Problems

Audit Observation	Comments of the Council	Recommendation
Although all necessary arrangements and precautions should be made to ensure that sewage or similar materials are disposed of in a manner that does not cause harm in accordance with Section 95 of the Pradeshiya Sabha Act No. 15 of 1987, it was observed that environmental protection permits had not been obtained for the disposal of sewage or similar materials that are being disposed of irregularly on the land where the sewage and solid waste disposal center is located.	No complaints have been received so far regarding the disposal of sewage into these gullies, which are located far from human habitation, and the necessary preliminary work has been carried out to establish a sewage treatment system by acquiring two acres of land adjacent to the Oliyadeniya Solid Waste Center.	Garbage and sewage disposal should be carried out in a manner that does not cause public nuisance and protects the environment, and relevant permits should be obtained.

4.5 Sustainable Development Goals

Audit Observation	Comments of the Council	Recommendation
The sabha had set out sustainable development goals for the Sustainable Development Goals, such as eradicating extreme poverty everywhere by 2030, and the sabha had not focused on identifying sustainable development goals that were practical for the sabha.	The sabha has already taken steps to identify sustainable development goals in practice.	Action must be taken to achieve sustainable development goals and targets.