

Niwithigala Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Niwithigala Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and Statement of Finance Operation, Cash Flow Statement, Statement of changes in net assets 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 Niwithigala 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 statement 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 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 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.

- 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.
- 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 Rs. 12,186,626 of 07 industries completed during the year under review had not been capitalized.	That will be capitalize.	Capital expenditures must be accounted for correctly.
(b)	The consumables stock balance of Rs. 316,462 as at the end of the year under review had not been included in the stock balance on hand.	That corrections will be made in the preparation of financial statements for the year 2025.	Inventory balances must be accurately accounted for.
(c)	Rs. 2,739,492 paid to industrial creditors in the year under review relating to the previous year had been accounted for as expenses for the year.	Bills related to 07 industries have been paid and this has been recorded in the creditors' register.	Expenses must be accounted for correctly.

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Council	Recommendation
There was a difference of Rs. 239,238 between the balance of various collateral deposits as per the financial statements and the balance as per the deposit register.	Action will be taken to correct the financial statements for the year 2025..	The difference must be identified and resolved.

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. 9,876,088 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 10,163,238 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.

Source of income	2024				2023			
	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.
Rates and Taxes	5,203,187	6,079,260	6,088,851	11,490,450	2,886,773	2,717,766	3,224,717	859,010
Rent	8,666,150	8,499,646	8,454,740	204,626	18,891,250	8,844,162	8,838,856	76,800
License fees	1,193,255	1,356,857	1,356,857	-	1,680,700	1,258,985	1,258,985	-
Other Revenue	<u>4,566,750</u>	<u>5,804,887</u>	<u>5,408,391</u>	<u>-</u>	<u>3,303,900</u>	<u>4,584,540</u>	<u>9,101,521</u>	<u>-</u>
	<u>19,629,342</u>	<u>21,740,650</u>	<u>21,308,839</u>	<u>11,695,076</u>	<u>26,762,623</u>	<u>17,405,453</u>	<u>22,424,079</u>	<u>935,810</u>

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 Council	Recommendation
(a) Of the arrears of assessment balance as at the end of the year under review, Rs. 818,965 had not been recovered by April 2025. That balance included a total of Rs. 221,478 that had been for more than 05 years.	Lists will be prepared, on-site inspections will be carried out and necessary actions will be taken to minimize outstanding balances of more than 05 years.	Action should be taken to recover the arrears of revenue.
(b) The arrears of acreage tax balance of Rs. 119,283 as at the end of the year under review included Rs. 110,147 due from 137 units that had been in existence for more than 03 years.	The acreage tax audit has been conducted and is in its final stages.	Action should be taken to settle the outstanding balance.

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.

Solid waste Management

Audit Observation	Comments of the Council	Recommendation
(a) Approval had been received from the Assistant Commissioner of Local Government on 10 th of October 2023 to send non-recyclable waste to a Puttalam cement factory. However, arrangements had not been made to dispose of the waste under an agreement with the relevant institution by the end of the year under review, and the unclassified waste was being stored in bags in the council premises.	Non-recyclable waste is taken to the Doloswala compost yard, where it is disposed of in landfills.	A formal system should be established for disposing of non-recyclable waste.
(b) Although the council had commenced compost fertilizer production activities since 2023, reports issued by the Sustainable Agriculture Research and Development Institute in 2023 and 2024 had reported that the compost sample was of fail quality.	Relevant measures have now been taken in accordance with the guidance and instructions of the Agricultural Advisor and the information contained in the fertilizer status report.	Efforts should be made to improve the quality of compost fertilizer.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) A van was acquired without following the procurement guidelines to bring the necessary medicines for the Free Ayurveda belonging to the council and Rs. 96,000 was paid as rent from the council funds on 04 occasions in the year 2023 and Rs. 72,000 on 03 occasions up to August 2024.	The vehicle that was charged the lowest price after asking for verbal quotes and was willing to pack and bring the medicine boxes has been used for this purpose.	Procurement guidelines should be followed.

(b)	Detailed schedules relating to 04 asset items totaling Rs. 151,542,881 had not been prepared.	That will be presented when preparing financial reports for 31 st December of 2025.	Detailed schedules related to assets should be prepared.
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3.3 Assets Management

Audit Observation	Comments of the Council	Recommendation
Although the 2023 Goods Survey Report had mentioned 11 items of warehouse equipment as deficient goods, action had not been taken in accordance with the financial regulations by the end of the year under review.	The Department of Local Government is conducting a preliminary investigation into the shortage of flagpoles and other missing items have now been found.	The preliminary investigation should be expedited and action should be taken in accordance with its recommendations.

3.4 Defects in Contract Administration

Audit Observation	Comments of the Council	Recommendation
(a) An excess of Rs. 216,675 had been paid due to the failure to apply the correct Highway Sub-Registration Fee (HSR) for the shuttering of 14 concrete roads carried out by the Pradeshiya Sabha.	That steps will be taken to reduce the amount of money paid in excess when releasing detain.	Action should be taken to recover overpayments.
(b) An overpayment of Rs. 292,183 had been made due to non-use of the correct provincial road rates for 02 work items in the Hatbada Falls access road development industry.	That there is no overpayment.	The answer is unacceptable. Action should be taken to recover the overpayment.
(c) Due to the incorrect rate not being applied for work item number 03 of the Nivithigala Public Stadium stair manufacturing industry, Rs. 33,599 had been overpaid, and Rs. 420,030 had also been overpaid for work not completed.	Although the steps at the Nivithigala Stadium are named as a manufacturing industry, the steps that were made there cannot be used for road rate because they have a side wall, so there was used for building rate.	The answer is unacceptable. Action should be taken to recover the overpayment.

3.5 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
Rs. 118,350 of the loan balance that was due from an officer who had left the service in the year 2023 had not been recovered by April 2025.	That steps will be taken in the future to settle the loan balance promptly.	Action must be taken to settle the loan balance.