

**1. Financial statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Nuwaraeliya Pradeshiya Sabha for the year ended 31 December 2023 comprising with the Balance Sheet as at 31 December 2023 and Income and Expenditure Account, 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 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 reported 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 give a true and fair view of the financial position of the Nuwaraeliya Pradeshiya Sabha as at 31 December 2023 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

**1.2 Basis for Qualified Opinion**

My opinion is qualified based on the matters described in paragraph 1.6 of this report in respect of the financial statements.

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 the 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 its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

#### **1.4 Scope of Audit (Auditor's Responsibility in Auditing Financial Statements)**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 a part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also,

- Appropriate audit procedures were designed and performed identify and asses the risks of material misstatements in financial statements whether due to fraud or error in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design audit procedure that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the 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 discourses, 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 compiled with applicable written law, or other general or special directions issued by the governing body of the Pradeshiya Sabha.
  - Whether the Pradeshiya Sabha has performed according to its powers, functions and duties; and,

- Whether the resources of the Pradeshia 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements

- As per requirement mentioned in Section 6(1) (d) (iii) of the National Audit Act No. 19 of 2018, the financial statement of the Pradeshia Sabha is corresponded with financial statements of the previous year.
- The recommendations made by me during the previous year are included in the financial statements as requirement by Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018 except observations (a),(b),(c),(d),(e), (f) and (g) in paragraph 1.2.1 of summary report of the previous years.

## 1.6 Audit Observations on Preparation of Financial Statements

### 1.6.1 Accounting deficiencies

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	As on the last date of the year under review, fixed assets of Rs.424,851 had been overstated and a machine value of Rs. 664,000 had not been accounted under fixed assets. Also, the plumbing accessories that were purchased for Rs. 654,787 had been accounted under fixed assets.	Action will be taken to rectify by the 2024 financial statement	Account balances should be corrected
(b)	As on 31 December of the year under review, the Ayurveda stock was overstated by Rs.190,363 and the stationery stock was understated by Rs.696,770.	Action will be taken to rectify by the 2024 financial statement.	Account balances should be corrected.
(c)	The last year's stamp duty revenue of Rs.6,028,112 less billings was not corrected in the year under review.	Action will be taken to rectify by the 2024 financial statement.	Account balances should be corrected.
(d)	The court fines due in 2020 and 2021 had been overstated by Rs.498,375 and in 2024,expense creditors of Rs.736,242 paid on 23 occasions had not accounted for.	- Do -	- Do -

- (e) The value of 05 wireless mouses which was stated in the subsidiary books was Rs. 5,250, was understated. - Do - - Do -

### 1.6.2. Unreconciled control accounts

Audit Observation	Comments of the Sabha	Recommendation
Comparing the balances of 06 account balances shown in the financial statements as on the last day of the review year with the balances mentioned in the respective schedules. There was a difference of Rs. 4,597,687.	That action will be taken to correct by the 2024 financial statement	Account balances should be corrected.

### 1.6.3. Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
As of 31 December of the year under review, 04 assets of Rs.6,600,000 mentioned in the financial statements could not be satisfactorily verified due to non-submission of information related to them	That the necessary measures will be taken to provide accurate information in the preparation of the 2024 financial statement	Sabha property should be identified.

## 1.7 Non-compliance

### 1.7.1 Non-compliance with laws, rules, regulations and management decisions

Below are the instances where laws, rules and regulations were not complied with.

Reference to laws, rules, regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a) <b>By-laws</b>  Paragraph 01 of the Pradesiya Authorities (Standard By -Laws) Act, No. 6 of 1952 published in the Extraordinary Gazette No. 520/7 dated 23 August 1988.	The pradesiya sabha had not issued a license for 68 advertisement charged Rs. 8,835,775 in the years 2020,2021 and up to September last year.	That actions are taken in accordance with the terms of the by-laws.	Terms of By-laws should be followed.

(b) **Circulars of Pradesiya Government Commissioner**

No. 1988/22 dated 17 May 1988	Although the assessment of property in the assessment tax areas should be done again at least once in 05 years, the assessment tax property in the sabha area had not been assessed after the year 2009.	That arrangements have been made to commence the assessment of assessment tax from January 2024	Circular instructions should be followed
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2. **Financial review**

2.1 **Financial results**

According to the presented financial statements, the income exceeding the recurrent expenditure of the sabha for the year ending 31 December 2023 was Rs. 24,001,479 and correspondingly the income exceeding the recurrent expenditure of the previous year was Rs. 5,234,153

2.2 **Revenue Administration**

2.2.1 **Estimated Revenues, Billed Revenues, collected Revenues and Outstanding Revenues**

According to the information presented by the secretary, the following is the information about the estimated income, billed income, collected income and arrears related to the year under review and the previous year.

Source of income	2023				2022			
	Estimated income	Billed income	Collected revenue	Total deficit as on 31 December	Estimated income	Billed income	Collected revenue	Total deficit as on 31 December
	Rs.	Rs	Rs	Rs	Rs	Rs	Rs .	Rs
(i) Assessment and Tax	7,000,000	6,141,853	5,445,139	2,637,541	4,578,000	4,430,583	5,117,826	1,940,827
(ii) stall Rents	11,191,931	7,195,579	6,971,707	1,244,039	6,547,916	85,865,475	86,330,192	1,020,167
(iii) License Fees	6,125,000	9,446,332	9,446,332	-	2,767,000	2,301,478	2,301,478	-
(iv) Other income	24,864,750	34,468,867	7,370,485	33,840,110	58,700,821	15,086,522	12,365,771	6,741,728
	----- 49,181,681 =====	----- 57,252,631 =====	----- 29,233,663 =====	----- 37,721,690 =====	----- 72,593,737 =====	----- 107,684,058 =====	----- 106,115,267 =====	----- 9,702,722 =====

## 2.2.2 Revenue collection performance

Following are the observations regarding the revenue collection performance of the sabha.

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	<b>Assessment Tax</b>		
	From 2008 to November of the reviewed year, Assessment tax of Rs. 330,907 should be charged from the Railway Department and Assessment tax of the totalling to be charged from 59 persons from a period of 05 years is Rs. 281,958, had not been recovered.	That the fees for the year is currently being paid.	Arrears should be charged.
(b)	<b>Rents</b>		
i.	House rent of Rs.80,187 due from the year 2018 had not been collected.	That legal action will be taken to settle the outstanding balance.	Arrears should be charged.
ii.	As of the last day of the reviewed year, the sum of Rs. 10,680,620 had not been collected from 22 stalls due to the decision of the sabha to collect the amount to be collected in 05 years instead of collecting lump sum money for the stall rooms of the sabha.	That arrangements are made for collection of lump sum money.	The lump sum money should be collected.
(c)	<b>Other income</b>		
	According to Section 154 (1) of Pradeshiya Sabhas Act No 15 of 1987, 01 per cent tax on the sale value of Rs. 2,948,775 for 20 Lots owned by 02 companies that auctioned the said lands had not been charged.	That the relevant companies have been informed for recovery.	Actions should be taken to recover the arrears.

## 3. Operational review

### 3.1 Management inefficiencies

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Extract and recommendations of the Public Health Inspector had not been obtained to confirm that the applicant has the current ownership of the land of 88 approved building plans.	That action is taken to obtain the Extract and that necessary arrangements will be made to get a public health inspector to participate in the future.	All requirements should be completed and approved.

### 3.2 Assets management

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) The sabha owned Galpihilla land and the land with the water tank and the land with the public toilet near the central dispensary of the sabha had been illegally occupied by external parties, but no action had been taken to vacate it.	That a plan of action will be taken to protect the assets as soon as possible	Steps should be taken to secure sabha's property.
(b) 06 houses of the Nanu Oya housing scheme located at the old Nanu Oya office had been given to external parties.	Arrangements are made to enter into agreements with tenants and make them correct.	Steps should be taken to secure sabha's property.
(c) An existing house in the Blackpool housing scheme and the sabha-owned Government House of Chief Clerk remained under-utilised.	That action is being taken to maintain a property capable of earning income	Actions should be taken to utilize.

### 3.3 Procurement Management

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) According to 3.3 of the procurement guidelines, it is stated that the tenders should be invited to a list of suppliers in the limited tendering, but the tenders had been invited from unregistered suppliers and purchases of Rs.524,743 had been made.	That action is taken to make it correct since the current year.	Procurement guidelines should be followed.
(b) A computer had been purchased for Rs. 370,000 apart from the specification 5.3 16 (a), (b), (c) of the Procurement Guidelines presented by the sabha.	That the subject work will be updated on following the procurement guidelines from the year 2024.	Procurement guidelines should be followed.

### 3.4 Human Resource Management

#### **Audit Observation**

Debt balances of Rs. 587,475 due from three officers, who retired, suspended and transferred, were not collected for a period of 02 years.

#### **Comments of the Sabha**

That arrangements will be made to collect the arrears.

#### **Recommendation**

Provisions of the Establishments Code should be followed.