

## **Naththandiya pradeshiya sabha - 2024**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Naththandiya pradeshiya sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, Statement of Net Assets Changes, Cash Flow Statement 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 the provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018 , 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 Naththandiya pradeshiya sabha as at 31 December 2024, and of its financial performance and 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.

- (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 regarding the preparation of financial statements

### 1.6.1 Accounting deficiencies

Audit Observation	Comments of the council	Recommendation
(a) The investment interest income of 6 fixed deposits was under-accounted for by Rs.1,489,760 for the year under review.	That corrections will be made when preparing next year's accounts.	Income should be recoded correctly.
(b) The value of a land measuring 8.73 perches included in the fixed assets register was understated by Rs.87,300, and the value of 02 lands measuring 1 acre 02 ruds 34 perches amounting Rs.1,787,300 was not recoded.	The correction will be made when preparing the accounts for the next year.	Assets should be recoded correctly.
(c) Due to the fact that Rs.3,934,660, which was recorded as receivable capital grant in the year 2019, was mistakenly recorded as receivable capital grant in the year 2024 as well, the balance in the receivable capital grant account and the accumulated fund accounts had been overstated by that amount.	The correction will be made when preparing the accounts for the next year.	Accounts should be prepared correctly.

### 1.6.2 Unreconciled control accounts or records

Audit Observation	Comments of the council	Recommendation
A difference of Rs.5,060,159 was observed between the balances of the financial statements and schedules of 07 accounts balances.	Action will be taken to submit accurate schedules when preparing next year's accounts.	Differences between the account balances shown in the financial statements and the schedule balances should be corrected.

### 1.6.3 Lack of written evidence for audit

Audit Observation	Comments of the council	Recommendation
03 accounts balances with a total value of Rs. 763,426 could not be satisfactorily verified due to non-submission of relevant schedules, valuation reports and survey reports.	It is not possible to submit schedules for this purpose as written information cannot be found to identify the balance of the relevant fixed assets as at 31 <sup>st</sup> December 1989.	Schedules should be submitted to substantiate the account balances shown in the financial statement.

## 1.7 Non-compliances

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

Non-compliance with laws, rules, regulations and management decisions are as follows.

	Reference to laws, rules, regulations, etc.	Non-compliance	Comments of the council	Recommendation
(a)	Government Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
i.	F.R 104	No formal investigations had been conducted and reports had been submitted regarding the cash fraud committed by the cashier between 16 <sup>th</sup> July and 27 <sup>th</sup> September 2024.	The initial report on the losses was submitted on 02 <sup>nd</sup> October 2024. The Commissioner of Local Government has informed the North Western Chief Ministry to conduct a preliminary investigation in this regard, and the Department of Local Government has also conducted an investigation.	Financial regulations must be followed.
ii.	F.R 571(2)	No action had been taken to settle deposits older than 2 years or to credit them in government revenue.	The necessary actions will be taken to settle deposits that no longer need to be held.	Financial regulations must be followed.

(b)

Circular No.  
2/2019 of the  
Commissioner of  
Local Government  
dated 10<sup>th</sup> January  
2019

Section 05

Although the lease period of  
3 buildings owned by the  
council had been between 4  
and 8 years, no action had  
been taken to assess the rent  
of the shops.

Requests have been sent to the  
Valuation Department to update  
the rent of shop rooms and  
relevant steps have been taken.

Action should be  
taken according to  
the circular.

## 2. Financial review

### 2.1 Financial results

According to the financial statements submitted, the revenue exceeding the recurring expenditure of the Council for the year ending 31st December 2024 was Rs. 123,573,230, while the revenue exceeding the recurring expenditure of the previous year was Rs. 166,177,531.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Revenue Outstanding

According to the information provided by the Secretary the information on estimated revenues, billed revenues, collected revenues and outstanding revenues submitted for the year under review and the previous year is shown below.

Source of Revenue	Estimated Revenue	<u>2024</u>			Total Arrears as at 31 December	<u>2023</u>			Total Arrears as at 31 December
		Billed Revenue	Collected Revenue	Estimated Revenue		Billed Revenue	Collected Revenue	Estimated Revenue	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
i. Assessments and taxes	26,792	20,113	15,189	20,836	24,143	23,640	13,418	21,443	
ii. Rent	30,103	25,935	25,810	4,903	31,949	24,369	21,159	4,955	
iii. License fees	3,797	7,983	7,969	14	3,973	8,340	8,339	2	
iv. Other income	220,614	195,136	111,604	154,286	161,598	118,626	117,907	5,934	
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Total	281,306	249,167	160,572	180,039	221,663	174,975	160,823	32,334	
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## 2.2.2 Revenue collection performance

The following are observations regarding the revenue collection performance of the council.

	<b>Audit Observation</b>	<b>Comments of the council</b>	<b>Recommendation</b>
(a)	<b>Assessment and taxes</b>		
i.	As at 31 <sup>st</sup> December of the year under review, the outstanding assessment tax revenue was Rs.20,018,742 and the outstanding assessment tax balance for which the period exceeded 5 years was Rs. 4,680,454.	Mobile programs and property Prohibition programs are already being implemented to collect outstanding amounts. In order to further minimize the value of outstanding amounts, it is planned to implement a special program to collect fees by going door to door.	Action should be taken to recover outstanding assessments promptly.
ii.	Although a revision of the assessment is required every 5 years, assessment tax was levied in the year under review based on the assessment carried out in the year 2010.	A revision of the council's assessment was carried out in 2019 and although its implementation was delayed due to various political, social and economic pressures, it has been implemented since 2025.	Assessments should be carried out on a timely basis.
iii.	The acreage tax revenue outstanding as of 31 <sup>st</sup> December of the year under review was Rs. 813,247. The acreage tax balance, which was overdue for more than 05 years, was Rs. 463,373.	Most of the acreage tax units are dormant units. Accordingly, steps will be taken to review the matter and settle the outstanding units with a justification report.	Action should be taken to promptly recover outstanding acreage taxes.
iv.	The council had not taken steps to conduct a survey of the jurisdiction once every 5 years and identify lands where acreage tax could be collected.	Many acreage tax units have now been converted to other units and although there is a timely need to survey them, it has been difficult to implement this due to staffing issues.	Timely surveys should be conducted to identify lands that can be taxed as acres and steps should be taken to collect the acreage tax.
(b)	<b>Rent</b>		
	As at 31 <sup>st</sup> March 2025, the outstanding rent and lease income was Rs. 4,177,367 and the outstanding rent balance exceeding 05 years was Rs. 365,356.	Efforts are currently being made to recover these outstanding amounts.	Actions should be taken to promptly recover outstanding rents.

(c) **Other income**

Action had not been taken to recover arrears of Rs. 660,319 in 07 revenue subjects relating to the period 1999 - 2024.

Since the Local Government Employees' Union is inactive, the Local Government Commissioner has been asked to write off the interest of Rs. 10,836 on the loan amount provided, and steps will be taken to recover the remaining money and other arrears.

Action should be taken to recover other income that is due.

**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 3 of the Pradeshiya Sabha Act are shown below.

**3.1 Management inefficiencies**

	<b>Audit Observation</b>	<b>Comments of the council</b>	<b>Recommendation</b>
(a)	The iron bars used to construct the food stall, which was built near the Nattandiya roundabout in 2019 at a cost of Rs. 3,698,760 without the approval of the Road Development Authority, had not been able to be leased for the year 2025 due to corrosion.	Since the salty winds in this area are causing rapid rusting of iron, necessary steps will be taken in the future.	The building should be renovated and action will be taken to generate income.
(b)	The Mudukatuwa Reading Room, which was built in 2021 at a cost of Rs. 1,377,215 with the aim of facilitating the knowledge and education of children in the area, had become an idle asset that was not used by the children.	This will be adapted as needed for children's use and will be put to use in the future.	A program should be implemented to utilize the reading hall.
(c)	The utilization of computers and equipment worth Rs. 912,000 provided by the Pura Neguma Project in 2020 to provide services at the Dunkannawa Electronic Library belonging to the council was at a minimal level, and the absence of a full-time librarian had become an obstacle to providing optimal services	A project proposal has been submitted seeking approval to start several computer courses using the computers that have been received, and instructions have been received to prepare a by-law for that and conduct the relevant courses. However, since the preparation of a by-law has not yet been completed,	The library should strive to provide optimal service to the people of the area.

at the library, as the librarian only came to work 3 days a week. computer courses have not been started.

- (d) The balance of payable accounts as at 31<sup>st</sup> December of the year under review was Rs.133,017,835, of which Rs.10,199,253 was outstanding for more than 03 years. No action had been taken to settle these payable balances. The necessary steps are currently being taken to settle the balances. The existence of outstanding balances should be investigated and settled promptly.

### 3.2 Operational inefficiencies

Audit Observation	Comments of the council	Recommendation
The camera system installed at the Solid Waste Center at a cost of Rs. 348,290 in March 2019 had become inoperative. Action had not been taken in accordance with Regulations 102, 103, 104 of the Government Financial Regulations regarding the inoperative camera system and the misplaced equipment.	Regarding the inquiry regarding the CCTV camera system of the Solid Waste Management Center, it has not yet been possible to confirm who provided the parts of the CCTV system for repair. By whom? Therefore, this matter will be investigated and reported.	Financial regulations must be followed.

### 3.3 Idle or underutilized property, plant and equipment

Audit Observation	Comments of the council	Recommendation
The system, which was constructed at the Solid Waste Management Center premises in 2017 at a cost of Rs.1,214,198 to properly manage fecal waste and minimize its harmful effects on the environment, remained idle for more than 7 years, unable to achieve the desired objectives.	It will be investigated the matter and take the necessary actions.	Actions should be taken to operate fecal treatment plant.

### 3.4 Assets Management

Audit Observation	Comments of the council	Recommendation
(a) According to Section 127 of the Pradeshiya Sabha Act No. 15 of 1987, 15 cemeteries considered to be within the jurisdiction for the	The cemeteries that have not yet been taken over by the council will be examined and	Urgent action should be taken to acquire legal ownership of the relevant properties.



purposes of Section 03 of the Cemeteries and Burial Grounds Ordinance had not been taken over by the Council.

action will be taken for the relevant takeovers next year.

- (b) According to the inventory survey report conducted at the Council Head Office, Town Hall and Solid Waste Management Center as of December 31, 2024, there was a shortage of 79 units of 17 types of items. Action had not been taken in accordance with financial regulations in this regard.

Since there was a shortage of 79 units of 17 items, those 79 units will be re-checked and the information will be corrected.

Prompt action should be taken regarding shortages of inventory items.

- (c) Although 02 plots of land measuring 01 acre 03 roods 29.07 perches and 01 rood 16 perches were allocated to the council for public facilities when the land called Mahagedara Wattha, which belongs to the council's jurisdiction, was divided and sold in 2003, by the end of March 2025, no actions had been taken to acquire the ownership of the land.

It appears that the relevant public land lot number in the draft has not been registered due to incorrect registration. Accordingly If the relevant institution is currently active, this registration will be carried out through that institution..

The ownership of the land must be acquired.

### 3.5 Human Resource Management

Audit Observation	Comments of the council	Recommendation
(a) There were 19 vacancies in the secondary grade posts and 20 vacancies in the primary grade posts of the council, and due to the vacancies of 03 and 04 officers in the posts of Technical Officer and Revenue Inspector respectively, it had not been possible to carry out construction and maintenance works, inspections of unauthorized constructions and public complaints in a timely manner, and due to the inability to recover revenue, there had been a tendency for arrears of revenue to increase.	Information regarding vacant positions has now been submitted for the 2025 staff review.	Vacancies in positions should be filled and the functions of the Council should be carried out without interruption.

- (b) During the period 2010 – 2024, Rs. 1,302,073 had been outstanding from 36 employees and officers who had left the service, died, retired due to health reasons, terminated their service and were suspended. The Council had not taken any action to recover these outstanding balances.
- Since the council does not have information regarding employees who have left the service, it is not possible to recover this arrears, and despite requests to write them off, the Local Government Commissioner has not granted approval, and necessary steps are being taken to recover other arrears.
- Action should be taken to recover employee loan balances.

#### 4. Accountability and Good Governance

##### 4.1 Unresolved Audit Observations

Audit Observation	Comments of the council	Recommendation
Although the Committee of public Accounts had issued instructions dated 13 <sup>th</sup> October 2016 to recover the amount of Rs. 450,000 given to 04 individuals in 2002 for the construction of a slaughterhouse from the officers involved in the relevant task, the Council had not taken any action to recover that amount to date.	In this regard, the necessary steps have been taken to obtain open warrants through a motion filed with the Marawila Magistrate's Court to recover the relevant amount against the defendants in cases bearing case numbers 61156, 61157, and 61158.	Actions should be taken in accordance with the orders of the Accounts Committee.

##### 4.2 Budgetary control

Audit Observation	Comments of the council	Recommendation
The entire provision of Rs. 13,050,461 allocated for 102 expenditure heads in the annual budget estimate had not been utilized to achieve the desired objectives.	It is said that there are remaining provisions due to the fact that many programs were not implemented, especially due to the elections held last year.	Operational activities should be planned in a way that enables budgeted targets to be achieved.

##### 4.3 Sustainable Development Goals

Audit Observation	Comments of the council	Recommendation
The Council had identified 16 Sustainable Development Goals and planned to implement 51 programs to achieve those goals in the year 2024. Of the planned activities, 10 or 22 percent had not been implemented during the year under review.	Due to the adverse weather conditions prevailing at that time, it was not possible to carry out those programs as planned. Therefore, the actions were taken to make provision for contract creditors and the work is currently in its final stages.	Action should be taken to achieve sustainable development goals.