

Nawagattegama pradeshiya sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Nawagattegama 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 and 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 Nawagattegama 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 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 value of the Moragahawewa Water Project constructed at a cost of Rs. 2,812,529 in the year under review and the value of Rs. 379,824 related to the renovation of the Samodaya Pre-School building and playground which had been carried out on specific provincial provisions had not been capitalized.	That steps will be taken to correct the errors through journal entries when preparing the financial statements for the year 2025.	All non-current assets should be capitalized.
(b) The value of library books received as donations during the year under review amounting to Rs. 176,263 had not been recognized as capital grant.	That steps will be taken to ensure accurate accounting from next year onwards.	Accounts must be kept accurately.
(c) Although the balance of the Property, Plant and Equipment Account and the balance of the Contribution from Income to Capital Expenditure Account should be equal, there was a difference of Rs. 7,525,121 between those accounts as of 31 st December 2024.	That steps will be taken to find out the reasons for the differences between the accounts and correct them.	The difference between the balances should be identified and corrected.

1.6.2 Lack of written evidence for audit

Audit Observation	Comments of the council	Recommendation
Due to non-submission of fixed asset records, schedules and survey board reports, the value of furniture and fixtures amounting to Rs. 598,024 could not be satisfactorily verified.	No comments.	Written evidence must be submitted to verify account balances.

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) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
F.R. 571(2)	Failure to regulate deposits exceeding 02 years, valued at Rs. 901,010, in accordance with financial regulations.	The relevant parties have been informed in the year 2025.	Financial regulations must be followed.
(b) Public Finance Circular No. 01/2021 dated 29 September 2021 Sections 2.1, 2.3	The Council had awarded 04 contracts worth Rs.5,780,456 to a Cooperative Society during the year under review without the recommendation of a three-member committee including the Head of the Department and two representatives nominated by the Divisional Secretary of the area.	That those mistakes will be corrected in future work subjects.	Work should be done according to the circular.
(c) Circular of the Commissioner of Local Government (North West) No. NW.L.G.D. /01 /11 /04 /01 dated 10th January 2019 Paragraph 05	Although the assessed rent should be revised every 3 years, a new assessment had not been obtained for shops numbered 05 and 08 in the public market complex, which had exceeded the valid assessment period.	Although it has been sent to the Valuation Department for valuation, the relevant valuation reports have not been received.	Action should be taken according to the circular.

2. Financial review

2.1 Financial results

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. 3,469,046 as compared with the excess of revenue over recurrent expenditure amounted to Rs.2,911,507 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated revenues, billed revenues, collected revenues and outstanding revenues

According to the information submitted by the Secretary, the details of estimated revenue, billed revenue, collected revenue and arrears of revenue submitted for the year under review and the previous year are given below.

Source of Revenue		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.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
I.	Assessment tax	1,382	1,291	1,142	155	1,309	1,347	1,203	144
ii.	Rent	5,973	4,995	4,937	58	8,361	3,151	2,971	180
iii.	License fees	169	146	146	-	193	233	233	-
iv.	Other income	1,804	1,527	1,331	196	2,640	1,919	1,768	151
Total		9,328	7,959	7,556	409	12,503	6,650	6,175	475

2.2.2 Revenue collection performance

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

Audit Observation	Comments of the council	Recommendation
Assessment The assessment and tax arrears at the end of the year under review was Rs. 104,897, of which Rs. 89,937 was less than 01 year and Rs. 14,960 was more than 01 year and less than 03 years. The attention of the council had not been focused on identifying developed areas and increasing assessment tax revenue.	Efforts will be made to identify in the future.	Steps should be taken to promptly recover arrears of revenue, and new assessment areas should be identified and steps should be taken to increase assessment revenue.

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 No 15 of 1987 are shown below.

3.1 Management inefficiencies

	Audit Observation	Comments of the council	Recommendation
(a)	The total of 08 accounts receivable balances as at 31st December of the year under review was Rs.9,620,634, out of which the total of 04 balances that were overdue for more than 03 years was Rs.2,023,765. Those balances had not been confirmed to be receivable and had been stated in the financial statements as receivable balances for a number of years.	No comments.	Action should be taken to recover the balance due.
(b)	The value of 3 account balances that were due as of 31st December of the year under review was Rs. 8,819,368, of which the value of the balances that were over 03 years old was Rs. 3,219,885. No steps had been taken to verify the existence of these balances and settle them.	No comments.	Action should be taken to confirm the existence of outstanding balances and settle them.

3.2 Idle or underutilized property, plant and equipment

	Audit Observation	Comments of the council	Recommendation
(a)	A motorcycle and a water bowser with a combined value of Rs. 95,000 had been lying idle for 8 and 11 years without being used.	No comments.	If it is unsuitable for use, it should be disposed of.
(b)	In 2017, the Nawagathegama Bus Terminal building was renovated at a cost of Rs. 12,977,976 under the Puraneguma project, and its upper floor remained unused and idle for almost 7 years.	Although tenders have been called for the upper floor of the bus stop building owned by the council on numerous occasions, the tenderers have refused to take it upon inspection of the property.	Maximum benefit should be obtained from the resources built using government funds.

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| (c) | The solid waste center, which was established with all the equipment in 2019 at a cost of Rs. 17,535,239, had not been used for organic fertilizer production due to elephant threats. | It has become a basic requirement to enclose the land where the compost yard is built and to construct a protective fence. | Maximum benefit should be obtained from the resources built using government funds. |
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3.3 Assets Management

Audit Observation	Comments of the council	Recommendation
Steps had not been taken to transfer the legal ownership of 14 cemeteries controlled and maintained by the council to the council.	The Puttalam District Office verbally informed us that while the recommendation of the Medical Officer of Health required for the acquisition of 10 out of the 14 cemeteries has been submitted, the Mahameddewa cemetery out of the remaining 04 cemeteries cannot be acquired as it is located on reserved land. The remaining 03 cemeteries will be acquired as soon as possible.	Steps should be taken to acquire legal ownership of the properties maintained by the council.

3.4 Human Resource Management

Audit Observation	Comments of the council	Recommendation
As of the last day of the year under review, there were 02 vacancies in primary posts and 06 redundancies in secondary posts.	The Department of Local Government has been informed that it is necessary to recruit employees for primary positions.	Steps should be taken to fill employee vacancies and approve redundancies.

4. Accountability and good governance

Budgetary control

Audit Observation	Comments of the council	Recommendation
According to the budget prepared, the provision of Rs.557,000 allocated for 29 expenditure votes to provide services to the people of the council area, had totally remained and a range from 50 per cent to 97 percent had remained from the provision of Rs.1,217,000 allocated for 27 expenditure votes due to the preparation of budget without properly identifying the needs and the failure to implement programs as planned.	No comments.	Operational activities should be planned in a way that enables budgeted targets to be achieved.