Ninthavur Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ninthavur Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Balance Sheet as at 31 December 2024, Income and Expenditure Account, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 Sub-section 10 (1) of the National Audit Act, No. 19 of 2018. 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 Ninthavur 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 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 Scope of Audit (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 skepticism 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 includes 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 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 fines imposed for unauthorized construction during the year under review had been understated in the financial statements by Rs. 190,240.	The amount of fines imposed will be taken into account at the time of payment, and legal action will be taken if the fines imposed are not paid.	The income for the year should be reported in the relevant year.
(b)	The value of 07 items of goods received as donations from the office of the Assistant Local Government Commissioner in the year 2021 had not been calculated and accounted for.	Due to the lack of information regarding assets received as donations, action will be taken to corrected in the final accounts for 2024.	The value of goods received as donations should be assessed and shown as an asset in the financial statements.
(c)	The necessary evidence confirming 06 fixed asset items worth Rs. 147,564,254 stated in the financial statements had not been submitted to the audit.	We have the relevant documents, but we were unable to present them due to a mistake.	Relevant written evidence should be submitted.

1.7 Non-compliance

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

	Reference to Laws, Rules, Regulations and Management Decisions etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Section 136 of the Pradeshiya Sabha, No. 15 of 1987	The Sabha had not taken steps to assess the buildings and lands of government institutions within their area and recover rates and taxes.	The value of buildings belonging to government institutions in the Pradeshiya Sabha area is currently being assessed and rates and taxes are being levied.	Action should be taken to collect rates and taxes in accordance with the provisions of the Pradeshiya Sabha Act.

(b)	Pradeshiya Sabha (Financial and Administrative) Rules, 1988			
	(i) Rule 81	No arrangements had been made to send stamp duty refund applications regarding land transactions, to the Registrar General at the end of each quarter.	Despite the necessary steps being taken to obtain details regarding this, there have been delays at that office.	Steps should be taken to reimburse stamp duties in a timely manner in accordance with financial and administrative rules.
	(ii) Rule 218	Although an annual survey of all lands and buildings in the area was supposed to be conducted, this had not been done.	That all land and building survey activities of the Sabha will be carried out in collaboration with the Urban Development Authority.	A survey of lands and buildings should be conducted in accordance with financial and administrative rules.
(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R.880	No steps had been taken to obtain the security deposit from the relevant officers in charge of cash and stores, who were required to deposit the security deposit.	Since the officers related to finance and stores do not come forward to provide security, duties are assigned according to the duty list and checked daily. Currently, steps are being taken to obtain security deposits.	According to financial regulations, steps should be taken to obtain security deposits from officers in charge of finance and stores.

2 Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of income over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs.32,188,868 compared to the excess of income over recurrent expenditure amounted to Rs.86,270,197 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, Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

		2024				2023			
	Source of Revenue	Estimated Revenu	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	11,450,000	79,480,622	10,334,719	69,145,903	4,033,809	64,540,592	327,486	65,300,215
(ii)	Rent	7,947,000	11,002,153	7,778,688	3,198,466	3,198,466	7,952,405	7,952,405	3,198,466
(iii)	License Fee	1,700,000	1,404,950	1,404,950	-	1,262,250	1,262,250	1,262,250	-
(iv)	Other Revenue	948,000	1,668,362	1,668,362	-	7,931,292	29,126,048	29,126,048	7,931,292
	Total	22,045,000	93,556,087	21,186,719	72,344,369	16,425,817	102,881,295	38,668,189	76,429,973

2.2.2 Performance in Collecting Revenue

The following are observations made on the performance in collecting revenue.

	Audit Observation	Comments of the Council	Recommendation
(a)	Due to the Sabha's failure to prepare property tax estimates completely and accurately, the estimated revenue for the year 2024 for 14,572 tax properties was Rs.9,000,000, while only Rs.6,234,177 was collected from 1,705 tax properties.	It can be able to prepare tax revenue estimates completely and accurately from CAT 2020 Software. Furthermore, additional officers have been deployed to collect this outstanding tax revenue.	Steps should be taken to promptly recover outstanding tax revenues.
(b)	The outstanding tax revenue for the year under review was Rs.2,765,823. However, although 06 officers were deployed for tax revenue collection, revenue targets were given to them.	The Revenue Division is currently carrying out revenue collection activities by assigning duties to the relevant officers according to the divisions and Grama Niladari divisions to recover arrears of taxes relating to previous periods.	Steps should be taken to promptly recover outstanding tax revenues.

(c)	It was observed that the Sabha has collected assessment tax from only 250 shops on the main road based on the old assessment without obtaining new assessments after the year 2010.	The necessary work is being done.	A new assessment should be carried out at regular intervals and revenue collection should be carried out accordingly.
(d)	The council had lost an income of Rs. 1,495,200 due to the failure to lease 15 to 20 shops from 2018 to 2024.	No one has come forward to lease the shops. However, steps will be taken to lease those shops or provide them to other institutions, in the future as needed.	Arrangements should be made to rent out appropriately.
(e)	Although stamp duty refund applications related to land transactions were required to be submitted to the Registrar General at the end of each quarter in accordance with the Pradeshiya Sabha Act No. 15 of 1987, the Sabha had not taken steps to refund of stamp duty for the year 2024.	After submitting the necessary details, the stamp duty for the relevant year was applied for and it is currently being received.	Refund applications for stamp duty should be sent to the Registrar General.

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 Council under Section 3 of the Pradeshiya Sabha Act are shown below.

3.1 Management Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	Although a sum of Rs.256,439 was collected from renting out the reception hall during the year under review, due to the failure to obtain a security deposit prior to the rental, it was not possible to recover the costs for any damages sustained to the goods/items therein.	This matter will be discussed in the Council from next month and necessary action will be taken.	Steps should be taken to obtain security deposits for council assets used by the public.
(b)	A register for distribution of electrical equipment was not maintained, despite the fact that electrical equipment worth Rs.2,000,000 had been purchased and	Information in this regard is being verified and documented using computer software, and a separate	Steps should be taken to keep the electrical equipment register up to date.

	distributed during the year under review.	record is being maintained for that purpose.	
(c)	Electricity charges receivable of Rs.2,477,321 and electricity charges payable of Rs.2,951,150 had been shown under assets and liabilities in the financial statements without settlement for a long time.	This amount is the outstanding amount related to the period when the Electricity Board was operating under the Pradeshiya Sabha. It will be presented to the council in the future and a decision will be taken.	Action should be taken to settle accounts receivable and payable.
(d)	The replacement reserve of Rs.77,500 under 'Reserves' in the financial statements has not been utilized for a long period	The necessary actions will be taken through the 2025 financial statements.	Allocations should be used for relevant purposes.
(e)	Out of the stamp duty revenue receivable for the year 2020, a sum of Rs.5,453,970 was temporarily withheld by the Provincial Commissioner of Local Government in the year 2021. The Secretary had not taken the necessary steps to recover this amount	Despite numerous requests for it on several occasions in this regard, it has not been possible to obtain so far.	Steps should be taken to fully collect stamp duty revenue.

3.2 Idle Assets

Audit Observation	Comments of the Council	Recommendation
Although machinery worth Rs.3,575,000 and buildings worth Rs.14,000,000 which are required for ice production, were provided under the Local Development Support Project (LDSP), they had not been utilized until mid-2025	Action is currently being taken to utilize the buildings and machinery constructed under the Local Development Support Project (LDSP).	Buildings and machinery should be used for their intended purpose.

3.3 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	Steps had not been taken to transfer the ownership of 11 vehicles used by the Sabha to the name of the Sabha.	Necessary steps are being taken to take over.	Necessary steps should be taken to take over the vehicle in the name of the Sabha.
(b)	Necessary steps had not been taken for over 5 years to repair and utilize or auction	Action is being taken to appoint a survey board by the	Action should be taken to repair and reuse

	14 vehicles owned by the Sabha.	Deputy Chief Secretary (E.P.) to auction the irreparable vehicles, according to the annual board of survey of vehicle.	vehicles that can be repaired and to dispose of other vehicles.
(c)	06 vehicles maintained by the council had not been recorded in the fixed assets register even by the year 2025.	That the necessary steps will be taken to correct it.	Steps should be taken to record in the fixed asset register.
(d)	The necessary steps regarding the tractor trailer, which was noted in the 2022 board of survey as being for sale or repair, had not been taken.	That the necessary action will be taken after obtaining the approval of the Deputy Chief Secretary.	The recommendations of the board of survey should be implemented promptly.

3.4 Defects in Contract Administration

Audit Observation	Comments of the Council	Recommendation
A payment of Rs. 162,313 was recommended and made during the year under review for the laying of interlocking blocks, indicated under Item No. E–05, which was an uncompleted portion of the work at the Nindavur pre-school building under the Provincial Development Assistant Project.	that when laying the interlock stones to complete this portion of the work, which was reportedly overpaid, the stones were placed at a suitable required location, leaving space for the installation of playground equipment as requested by the pre-school.	Action should be taken to recover the overpayment.

3.5 Human Resource Management

	Audit Observation	Comments of the Council	Recommendation
(a)	The Sabha owned 07 vehicles, but only 03 drivers were employed for them.	Although the necessary steps have been taken to fill the vacancies, this has not been done yet.	Necessary steps should be taken to fill employee vacancies.
(b)	Action had not been taken to recover the outstanding loan amount of Rs.32,620 from the relevant officers or guarantors.	That the steps will be taken to recover the amount from the relevant officials or guarantors.	Action should be taken to recover the outstanding employee loan balance.

4 Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Council	Recommendation
Although 04 officers were appointed for internal audit, recommendations were not prepared by an internal audit to promote the functioning of the entity and to enhance performance, as per Section 40 of the National Audit Act No. 19 of 2018 and F.R. 133 and 134.	That the necessary steps are taken to comply with and report on the internal audit activity.	Internal audit should work to promote and enhance the entity's operations

4.2 Environmental Issues

Audit Observation	Comments of the Council	Recommendation
While an income of Rs.192,750 had been collected from Environmental Protection License (EPL) renewals during the year under review, as per the National Environmental Act No. 47 of 1980, 22 institutions had not obtained licenses for a period of 10 years.	Efforts are being made to obtain and update information regarding the relevant institutions.	License renewals should be done properly.

4.3 Sustainable Development Goals

Audit Observation	Comments of the Council	Recommendation
The indicators required to identify sustainable development goals and achieve the objectives had not been identified, and the necessary financial provisions had not been allocated in the budget for the year under review.	That the steps will be taken to correct the shortcomings in the budget being prepared for the coming year.	Action should be taken to identify targets and indicators and to measure progress, in accordance with the Sustainable Development Act No. 19 of 2017.

4.4 Solid Waste Management

	Audit Observation	Comments of the Council	Recommendation
(a)	Although a waste sorting center had been constructed at a cost of Rs.4,980,969 for the proper implementation of solid waste management, it remained non-functional even by the middle of the year 2025.	Other facilities required for sorting the waste should be provided, and necessary steps have been taken to classify and accept the solid	Steps should be taken to utilize the relevant center for the purpose.

		waste collected in the council area.	
(b)	Even though 02 supervisory officers were assigned for solid waste management, records such as the register of field conditions, future work programs, and documentation of unusual activities within the division had not been maintained.	The necessary steps have been taken to inform the relevant officials.	The referenced documents and work programmes should be obtained as completed from the supervisory officers, and follow-up should be conducted regarding them.