

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Naula Pradeshiya Sabha for the year ended 31 December 2024 comprising with the Balance Sheet as at 31 December 2024 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 sub-section 10 (1) of 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Naula Pradeshiya Sabha as at 31 December 2024, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified Opinion

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on 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 this 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 Sub-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 to be prepared.

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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Designed and performed the appropriate audit procedures, identified and assessed the risks of material misstatement in financial statements whether due to fraud or errors 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 error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained 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 the internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluated 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 the Pradeshiya Sabha 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 Pradeshia 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 Sabha	Recommendation
(a) The equipment of the Jana Udana Gama Children's Park, which was built at a cost of Rs. 5,500,000, had not been accounted for.	The correction will be made when preparing the final account for 2025.	Accounts should be prepared correctly.
(b) The total amount of Rs. 4,538,383 spent on construction and renovation on 04 occasions during the year under review had not been capitalized.	-Do-	-Do-

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
A difference of Rs. 716,298 was observed in the reconciliation of the balances of 05 accounts shown in the financial statements with the balances shown in the schedules as at 31 st December of the year under review.	The correction will be made when preparing the accounts for the year 2025.	Account balances should be reconciled with the relevant schedules.

1.7 Non- Compliances

1.7.1 Non-compliance with Laws, Rules and Regulations

Non-compliance with Laws, Rules and Regulations are as follows

Reference to Laws, Rules Regulations	Non Compliance	Comments of the Council	Recommendation
(a) Parliament Acts			
Section 83 of Part VI of the Planning and Building	No certificates of conformity had been	Action will be taken to issue	Arrangements should be made to

Regulations published in the Extraordinary Gazette No. 2235/54 dated 08 July 2021, as amended by Section 21 of the Urban Development Authority Act No. 41 of 1978, read with Section 8 of the said Act.

issued in relation to 152 development permits approved during the period 2020 - 2024.

certificates of conformity.

of issue certificates of conformity.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

F.R. 571(3)

52 lapsed deposits of Rs. 824,050 deposited between 2013 and 2024 had not been settled.

The proceedings will be conducted in accordance with the provisions of F.R.571.

Lapsed deposits should be settled.

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 amounted to Rs. 3,137,119 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 112,140 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 presented by the Secretary of the Sabha relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

	Source of Revenue	2024				2023			
		Estimated Revenue	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	1,925,496	1,679,446	1,376,126	1,624,722	1,596,527	1,612,982	2,521,221	1,321,068
(ii).	Rent	4,534,200	2,617,440	2,939,235	532,430	2,224,200	1,108,250	1,029,180	854,225
(iii).	License Fees	2,489,000	2,079,342	2,079,342	-	2,655,000	2,014,985	2,014,985	-
(iv).	Other revenue	22,454,500	15,940,962	14,838,056	2,157,808	3,000,000	3,205,548	2,943,948	1,054,902
	Total	<u>31,403,196</u>	<u>22,317,190</u>	<u>21,232,759</u>	<u>4,314,960</u>	<u>9,475,727</u>	<u>7,941,765</u>	<u>8,509,334</u>	<u>3,230,195</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
Rates		
As at the end of the year under review, there was a balance of assessment arrears of Rs. 1,624,722, out of which an arrears of Rs. 780,710 in 68 assessment units exceeding Rs. 5,000 had not been collected in accordance with Section 158 of the Pradeshiya Sabha Act, No. 15 of 1987.	Further actions are being taken.	The arrears of revenue should be collected.

3. Operational Review

3.1 Fulfilment of functions assigned 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.

(a) Failure to reach expected outcome

Audit Observation	Comments of the Sabha	Recommendation
According to the Central Provincial Local Government Commissioner's Circular No. 2020/06 dated 28th September 2020, the surplus funds of the Sabha can be used in revenue-generating projects for the Sabha, projects for the development of Sabha properties or projects for the provision of public amenities to the majority of the people, but without doing so, Rs. 7,445,173 had been invested in fixed deposits as at the end of the year under review, while Rs. 12,380,309 remained idle in the current account.	Fixed deposits will be used for income-generating projects in 2025.	Surplus money should be used for regional development.

(b) Delay in fulfilling tasks

Audit Observation	Comments of the Sabha	Recommendation
Although the construction of the ground floor of the Pradeshiya Sabha Administration Building into stalls was awarded to the	The necessary work is being carried out to complete the	Construction should be completed and shop spaces should

contractor on 21st May of the previous year for Rs. 5,510,633, the construction had not been completed by the end of the year under review.

construction and lease out the stalls.

be leased out as soon as possible.

3.2 Management inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The total of 02 accounts receivable balances as at the end of the year under review was Rs. 1,827,556. Therein, the total relating to the period between 01 and 05 years of Rs. 101,480 and the total of account balances exceeding 05 years of Rs. 64,323 had not been collected.	Action will be taken to recover the arrears of revenue in 2025.	Action should be taken to recover the arrears of revenue.
(b)	In accordance with Section 22 of the Urban Development Authority Act No. 41 of 1978, Rs. 1,678,305 had not been collected by the Sabha in respect of the 51.88 perches of land allocated to the Sabha for community and recreational purposes from the Arangala Habaragahawatta land sold as subdivisions in the year 2015 within the Sabha area of authority. Due to the fact that reports had not been obtained from the Geological and Mining Institute for the land that had been subdivided had not been approved by the Pradeshiya Sabha, even so, the land plots of that land had been sold. No action had been taken in this regard.	Action will be taken to collect fees in the future.	Action should be taken to collect fees
(c)	The land comprising 03 plots with the Amban Rajawela Water Project, 04 buildings and the Opalgala Play Ground of 1 acre and 34 perches had not been assessed and the value had not been accounted for.	The assets will be taken over and fees will be collected.	Efforts should be made to take over the assets of the Sabha.

3.3 Idle or underutilized Property, Plant and Equipment

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The children's park in Kanamulayaya, which is maintained and operated by the Sabha, has been unused and underutilized since 2021.	The necessary steps are being taken to repair the play equipment in the children's park and	It should be repaired and put to use.

make it suitable for reuse.

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| (b) | 03 machines and 02 tractor trailers worth Rs. 32,172,696 used by the Sabha remained idle or underutilized for a period of 09 months to 06 years. | Repairs will be carried out and They will be put it to use in the future. | Assets should be utilized instead of being allowed to be idle. |
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3.4 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
No Action had been taken to acquire 03 land plots of 06 roods and 56.98 perches have been given to the Sabha for community activities in the sale of land subdivisions, and 15 land plots of Rs. 61,000,000 lessees by the Sabha and the land with 10 stalls constructed by the Moragaha Kanda Kalu Ganga project.	Taken over process is being carried out.	Action should be taken to acquire the assets by the Sabha.

3.5 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
When comparing the approved staff of the Sabha with the actual staff, there were 21 vacancies in 13 posts.	Action will be taken to fill the vacancies.	Vacancies should be filled.

3.6 Vehicle fleet management

Audit Observation	Comments of the Sabha	Recommendation
Action had not been taken to take over the ownership of 02 motorcycles worth Rs. 300,000.	Action will be taken to take over assets in the future	Actions should be taken to take over assets in the name of the Sabha